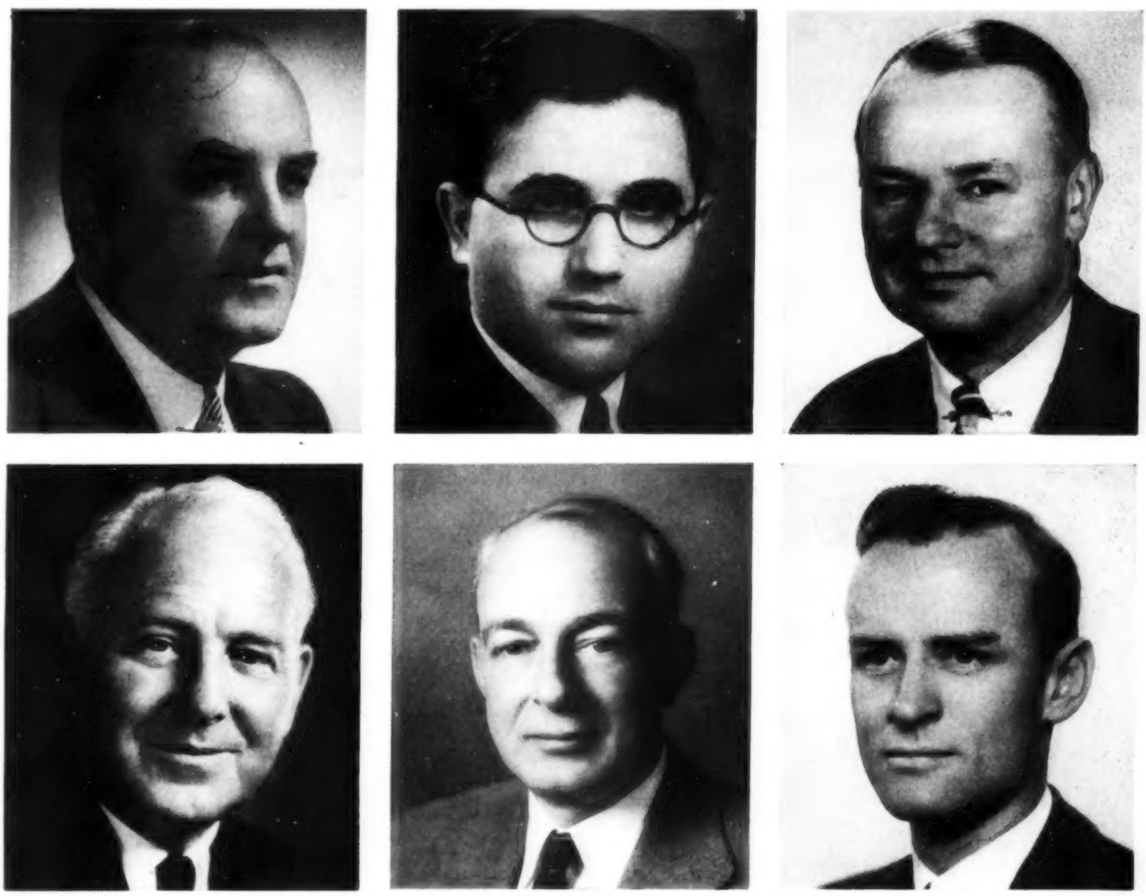
JANUARY 1955

Mortgage Banker



These men have a part in MBA's opening event for 1955, the Senior Executives Conference at New York University sponsored by MBA, in cooperation with the graduate school of business administration: (top row, left to right) Dr. G. Rowland Collins, dean; Dr. Jules I. Bogen, professor of finance, and Carlton S. Stallard, Jersey Mortgage Company, Elizabeth, N. J.; (bottom row, left to right) MBA President Wallace Moir; Carey Winston, Washington, D. C., and Dr. George T. Conklin of Guardian Life Insurance Company. Mr. Winston, who is vice chairman, educational committee, has charge of Association arrangements.

MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA
ORGANIZED 1914

in this issue

1955 MBA Calendar

January 25-27—Senior Executives Conference, New York University New York.

February 24-25—Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

March 28-29—Southwestern Mortgage Clinic, The Mayo, Tulsa.

March 31-April 1—Southern Mortgage Clinic, The Dinkler-Tutwiler, Birmingham.

May 2-3—Eastern Mortgage Conference, Hotel Commodore, New York.

June 19-25—School of Mortgage Banking, Courses I and II, Northwestern University, Chicago.

June 19-22 — Educational Seminar for Educators, University of Michigan, Ann Arbor.

July 31-August 6—School of Mortgage Banking, Course I, Stanford University, Stanford, Calif.

October 31-November 3—42nd Annual Convention, Statler Hotel and Biltmore Hotel, Los Angeles.

This Month's Cover

Nine big meetings comprise MBA's 1955 schedule of events, led off this month by the New York University Senior Executives Conference. Some of the speakers are shown on the cover. Further details on page 43.

Two New Features

This month THE MORTGAGE BANKER inaugurates two new features. The first is Voice of the Home Office—Voice of the Correspondent, and these titles are fully descriptive of what the feature is about. Any and all things in the investor-correspondent relationship will be discussed—and every member is invited to join in. Contributions are welcome, the shorter the better, of course, but no limitations or restrictions have been set.

The other feature concerns appraising—problems, developments and ideas of appraising slanted from the lender's viewpoint.

Let us hear what you think about these new features.

The Mortgage Banker

please route to:

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Volume 15 **JANUARY, 1955** **Number 4**

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16 BASIC FLOOR PLANS!

has more investment appeal than ever

EVERY home buyer wants his place to pop out from those around it . . . to have a personality and appearance all its own. This is just what he gets in a new Coronado, a product of United States Steel Homes, Inc. He can choose the exterior treatment he likes best and the floor plan that best suits his family. Both right and left hand plans are available . . . with a basement or slab foundation . . . with overhead or perimeter heating.

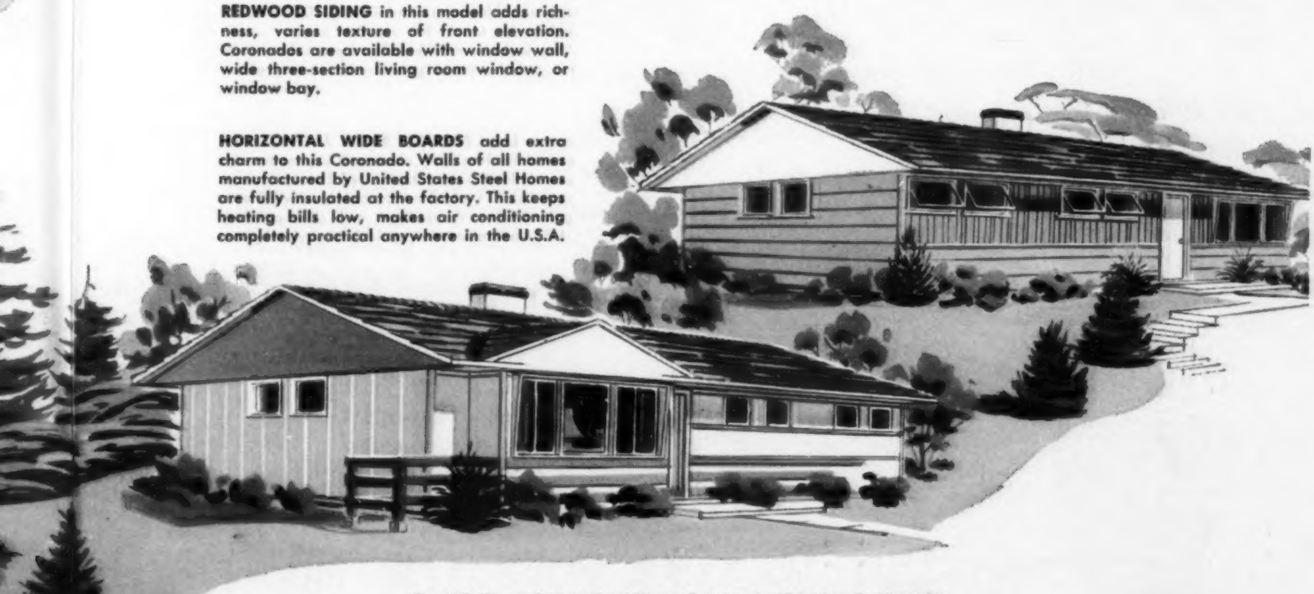
Every housewife will like the ease of housekeeping a Coronado. She will like the built-in, ceiling-high closets in the bedrooms . . . the convenient linen closet . . . the washable walls . . . the efficient kitchen with optional dishwasher sink and easy-to-clean wall storage cabinets. The *whole family* will like the spacious living room, the big bedrooms, the pleasant good looks of the home inside and out.

HERE'S WHY THESE HOMES ARE GOOD INVESTMENTS

United States Steel Homes' complete, attractive line includes the Coronado, the low-cost Champion, the luxurious Catalina, and the glamorous Westerner. Here are homes for every segment of the low and medium priced home market, and every United States Steel Homes Dealer adapts his building program to suit the needs and wants of his local market. Every dealer is a responsible, *local* businessman with a good reputation as a builder. He gets help from United States Steel Homes, Inc. in planning developments, and setting up sales programs, and he gets national and local advertising support, as well. Write for complete information about United States Steel Homes' expanded home-building plans for 1955.

REDWOOD SIDING in this model adds richness, varies texture of front elevation. Coronados are available with window wall, wide three-section living room window, or window bay.

HORIZONTAL WIDE BOARDS add extra charm to this Coronado. Walls of all homes manufactured by United States Steel Homes are fully insulated at the factory. This keeps heating bills low, makes air conditioning completely practical anywhere in the U.S.A.

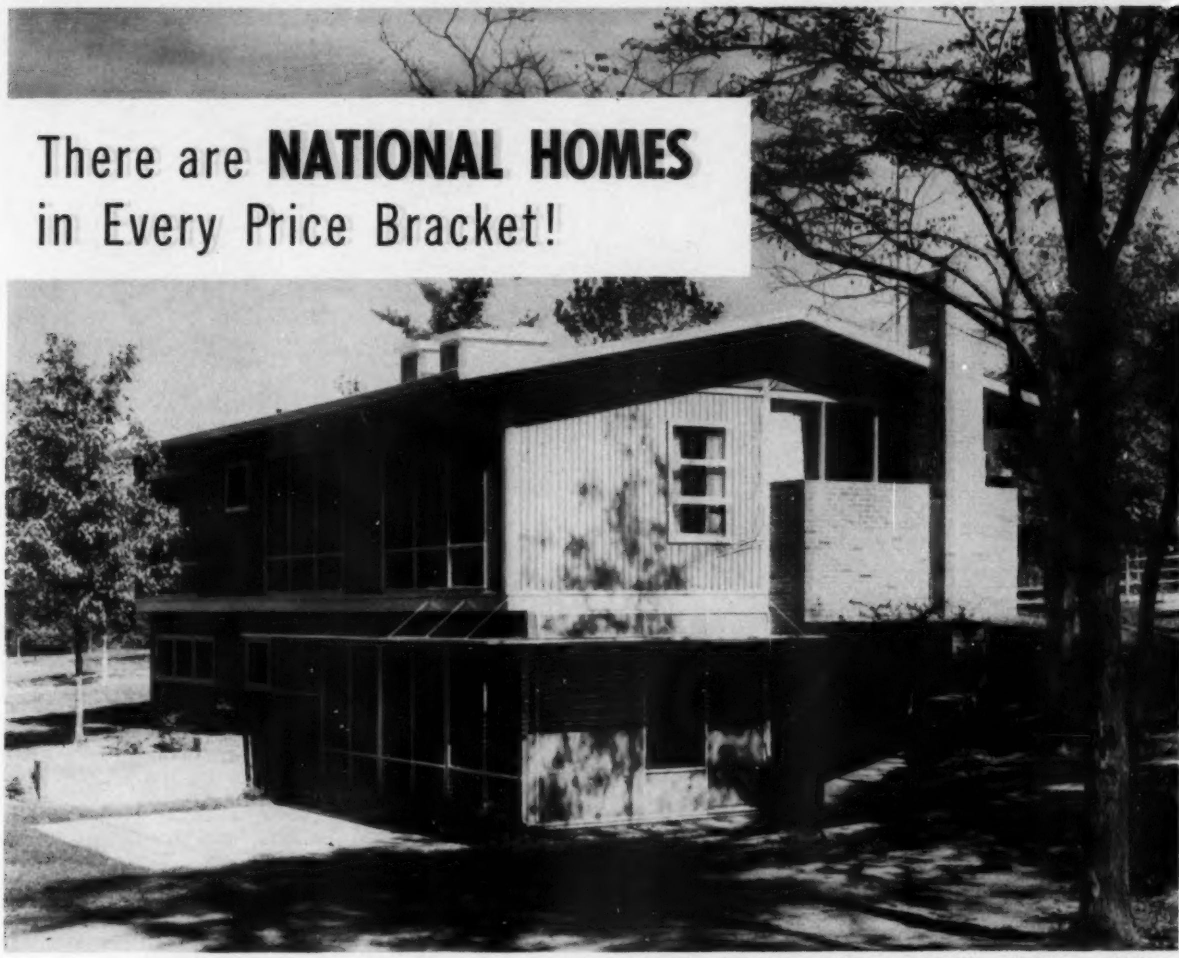


"Coronado", "Champion", "Catalina", and "Westerner"—trade-marks of United States Steel Homes, Inc.

United States Steel Homes, Inc.

GENERAL OFFICES: NEW ALBANY, INDIANA

SUBSIDIARY OF UNITED STATES STEEL CORPORATION



Two-level Hollybrook "Custom-Line" —*4 bedrooms, 2 baths*

The foremost producers of lower-cost homes offer sizes and styles from $6,000 to $40,000

NATIONAL HOME MORTGAGES ARE SOUND LONG-TERM INVESTMENTS

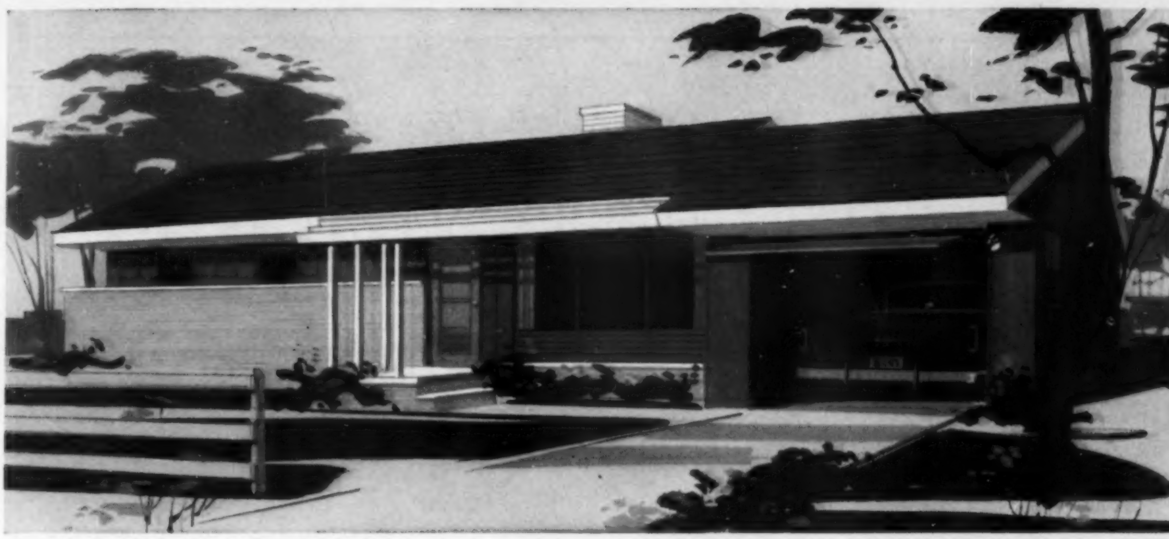
Perhaps you think of National homes as being limited to budget-priced models. True, in this dynamic field National *is* the leader. But it also has a complete range of larger, beautifully styled homes selling up to $40,000. Thus the investor in National home mortgages enjoys the stability of a diversified group of home owners—each living in property well within his means.

Inquiries are invited from financial institutions that may be seeking a continuous source of dependable long-term investments.

Write: National Homes Corporation, Lafayette, Indiana.

ONE OUT OF EVERY 48 HOMES BEING BUILT IN AMERICA TODAY IS A NATIONAL HOME!

nh National HOMES®



1. Styling leadership—Whatever the orientation on a lot, Modern Homes have the look of smartness and quality that only full-time architectural development can achieve. The low, long look, the low-pitched roof with its wide overhang are now Modern trade-marks.

Visit booths 166 & 167
(Conrad Hilton)
at the NAHB show
in Chicago, to hear how—

Features of the future <u>today</u> give increasing value to the modern franchise!

Styling excellence, exclusive features of dramatic appeal, fine craftsmanship, and quality materials are attracting crowds of prospects to Modern Homes dealers' model houses.

The trend to quality homes, now becoming more and more apparent, has been from the beginning Modern's design and production philosophy. The increasing successes of franchised Modern Homes builders bear it out.

The lender has three principal advantages in dealing with the franchised Modern Homes builder-dealer. First, your money is most safely invested in a quality home. Second, the Modern dealer is a better businessman. Third, the Modern builder-dealer produces up to three times as many homes—meaning greater returns on his investment *and yours.*

Won't you visit our booths in Chicago, to discuss with us the further advantages to you of working with a Modern Homes franchised builder-dealer? *Modern Homes Corporation, 14507 West Warren Avenue, Dearborn, Mich.*

2. Exclusive features—Modern Homes' Research and Product Development Department has introduced entirely new sales-sparking features to residential building—including the widely heralded power-operated windows, acoustical ceilings, Klear-Span steel floor system.

3. Quality emphasis — Modern Homes are designed for quality builders . . . fabricated with precision, of the finest materials. To help the builder follow through with this quality emphasis, Modern helps train erection crews, helps plan sites, helps achieve effective color styling.

4. Advertising appeals—In *Living for Young Homemakers, Better Homes and Gardens,* and *Small Homes Guide,* Modern Homes advertising is designed to add the powerful sales-extra of prestige—the reputation for excellence that influences discriminating buyers.

5. Open House promotion—With newspaper mats, radio and TV scripts, signs, photographs, displays, and quality literature, Modern Homes helps the franchised builder-dealer make Modern's styling, features, and quality pay off in profitable volume sales.

modern homes

Modern Homes Corporation • Dearborn, Michigan • Port Jervis, New York

BUILDING BOOM IS SOUND

And if construction costs and population growth are considered, we have only two-thirds of a boom now. Whatever it is, there's a lot of life in it yet.

EVERY year for nine years running we have built more than we did the year before, and 1954 was no exception. Last year construction was a shining light in an otherwise somewhat murky scene.

Dr. G. C. Smith

But can this boom continue?

The only appropriate answer: "What boom?"

If that seems a little startling, compare what's happening today with a *real* construction boom. To find what everyone will agree *was* a boom, go back to the 1920's. In 1926 and again in 1927, new construction put in place totalled a little over $12 billion. That was the highest peak ever reached until 1947, when the current upsurge passed it.

Last year, total new construction amounted to a handsome $37 billion or so, setting a new all-time record for dollars spent. So today, it would appear, we're building about *three times* as much as we did in 1927.

That's the way it appears. Unfortunately, when we measure construction in dollars, we're using a rubber yardstick—a yardstick which has shrunk considerably in the period we're considering, because construction costs have nearly tripled since 1927.

Moreover, the nation has grown a lot since the 1920's, so we should expect a substantial increase in construction to match this growth.

One way to compare the two periods is to adjust for population growth by putting the figures into per capita terms, and then adjust for the increase in construction costs. If we do, we find that per capita outlays today, in constant dollars, are well below the 1927 peak. If we eliminate government construction, and consider only private spending, we find that today's level is even further below the 1920's.

This, of course, is a rough measure. It might be argued that construction doesn't have to keep exact pace with population, since each project built is added to an inventory which lasts a long time; or that construction cost indexes based on labor costs and prices of materials don't give adequate weight to more efficient methods and improved quality. But even allowing for a very large margin of error, these figures show that what we have today is nowhere near the boom proportions of 1927!

We can gauge the size of present construction outlays in still another way. In the boom years 1927-29, construction expenditures accounted for more than 15 per cent of the total

By DR. GEORGE CLINE SMITH
Economist, F. W. Dodge Corporation

In terms of dollar volume, 1955 will be the peak year in housing. The sharpest increase will be in single-family house construction. And if you're worried about a possible collapse produced by the over-building characteristic of a speculative boom, rule it out now. "We haven't come anywhere close to that stage yet," says Dr. Smith. He's concerned here with estimating what's ahead in all kinds of building this year and beyond, and his predictions add up to busy days ahead for some time to come.

national output; for the past three so-called record-breaking years they have averaged less than 10 per cent.

On this basis, we have only two-thirds of a boom.

Thus, when you take into account rising construction costs and the growth of the nation, the $37 billion outlay last year looks relatively small in comparison to what everyone will agree was a construction boom in the 1920's.

Therefore, we can rule out any fears of a collapse in construction which might be produced by the over-building characteristic of a speculative boom. We haven't come anywhere close to that stage yet. In fact,

we can conclude that there is room for considerable expansion.

The construction industry presents a constantly changing picture. What a manufacturer would call "product mix" varies greatly from year to year; and while total construction may rise or fall only a little over a period of time, we find great differences in the construction formula.

Changes in the product mix were particularly noticeable last year.

Housing occupies a place of prime importance in the public mind. In fact, a great many people who should know better confuse housing with construction, neglecting the fact that we also build stores and factories and bridges. Nevertheless, housing is the largest single category of construction, accounting for about a third of the total annual outlay.

According to Dodge figures, residential building last year ran about 27 per cent ahead of 1953. But a significant feature of the increase is that multi-family housing—apartments and two family—fell off sharply. The entire increase in residential, plus enough more to offset the drop in multi-family, is accounted for by a tremendous upsurge in single family homes.

The desire for home-ownership is reaching new heights. An important factor in this situation, of course, is financial—easy money coupled with FHA insurance making it possible for more people than ever to own their own houses.

But other factors can also be cited in this back-to-the-home movement. One is that older people are traditionally home-owners—the biggest percentage of home-owning families in the United States is the over-65 group. As everyone knows, our aged population is increasing at a tremendous rate, much faster even than the number of children.

Another factor is the automobile and its effect on suburban living. A more recent development is the increase in home entertainment, as evidenced by sales of television sets and phonograph records and barbecue equipment. People who entertain at home are quite likely to want larger quarters, and a porch and yard.

Still another factor is the highly contagious do-it-yourself virus. An apartment dweller who hears all of the satisfactions his friends relate about the rooms they've added and the terraces they've built, without any of the headaches, is likely to be tempted to try it himself—something he can't do in an apartment.

Finally, recent studies of the Department of Labor indicate that it is very often cheaper to own than to rent. One important factor here, which is coming to be better recognized, is the value of offsetting interest on mortgages (and high property taxes as well) against the Federal income tax—a strong point in favor of owning versus renting.

These factors do exist, and they are currently important. They may not last forever. People may get tired of grass-cutting and commuting some day, and start a return to apartment dwelling; but right now, the opposite seems to be true.

In the non-residential field, there were some equally interesting developments last year. One is the great increase in commercial building offset by an even greater decline in manufacturing buildings. Another is the tremendous rise in importance of schools as a segment of the construction industry. It seems almost unbelievable, but in 1946, schools accounted for only 4 per cent of non-residential building; last year they accounted for over 25 per cent. One dollar out of every four in non-residential building went for schools. As a matter of fact, schools, hospitals and churches in 1954 totaled as much as manufacturing and commercial buildings combined.

As for the future of construction, break it into three parts:

» For the immediate future, the next several months, we can say with certainty that construction activity will be at record levels. The reason is that our Dodge contract award totals have been setting new records. In the first nine months of 1954, contract awards ran 13 per cent ahead of the same period of 1953, and 1953 was the highest previous record. We ran a full month ahead of 1953, in fact.

Since these are contracts already awarded, we can forecast safely that

construction activity will stay at high levels for some months to come. Contract awards are a sure-fire forecasting device for the immediate future.

» When we get into the second part of the future, let's say the entire year 1955, we are faced with the more difficult problem of predicting what will happen to contract awards themselves.

We began by taking our annual survey of the opinions of leading economists on the business outlook. Our current survey was the biggest and best we have ever taken, with detailed reports from 186 of the nation's top economists and business analysts.

This group felt mildly optimistic about 1955. They didn't forecast any great boom, but they did think, on the average, that the total output of the nation would be up about 2 per cent over the current rate. That isn't much of an increase, and might even be called stability; but there was an underlying feeling of confidence and strength in the economy reflected in the fact that three out of four of the economists expected total output in every quarter of 1955 to be higher than the current rate. In short, they showed a good solid optimism.

In line with this forecast, the economists also expect moderate increases in industrial production and consumer spending. They expect wholesale and retail prices and wages to remain steady.

With this encouraging business outlook, we then considered the factors that have a bearing particularly on construction and came to a not-very-surprising conclusion: that those factors which have been pushing construction upward over the past several years have not diminished; that in general there are still numerous backlogs and few, if any, surpluses; and that the volume of contract awards in 1955 will probably be somewhat higher even than 1954.

Sharpest increase this year will be in contracts for single family houses.* There has been a tremendous increase in activity in this field since the passage of the new Housing Act, showing up in our September figures as a 65 per cent increase over September a year ago. This huge rise was also reflected in FHA and VA applications reported for September; and early figures for October show a continuation of the activity. There seems to be no doubt that this year will be a peak year for housing, in terms of dollar volume.

Schools, another big item, should also show a sharp rise because of the known increases in enrollment which are impending. Other types of construction which follow population, like churches and hospitals and utilities, should also be up. Highway construction will probably increase substantially.

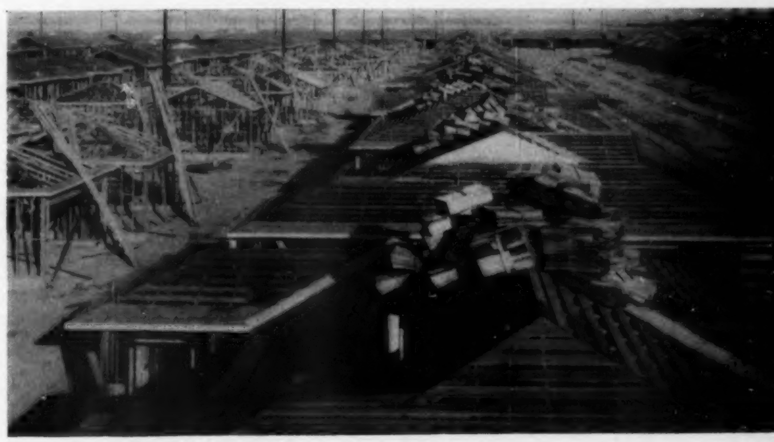
There are some large question marks surrounding apartments, commercial and industrial construction. We would expect some increase in apartment construction, but the outlook is clouded by new FHA regulations and the reaction of builders to them. Commercial construction, especially in the outlying suburban areas, should follow the trend of residential building and population growth. Industrial outlays are probably the one weak spot in the 1955 outlook, although they are relatively low now and can be expected to turn up before too long.

All in all, 1955 should be an excellent year for the construction industry.

What of the more distant future?

Here, forecasting in general terms is pretty easy, if we make the basic assumption that we won't have a war or some similar catastrophe. Here is a forest that's far enough away that we can see it without a lot of trees cluttering up the foreground.

For instance, every two years, the United States' population grows by five and one-half million people, just equal to the Chicago area. In other words, we add a Chicago and its suburbs every two years. We need tremendous amounts of construction just to keep pace with this expanding population. On top of that, in many important types of construction, we haven't been keeping up with present needs; backlogs exist. And on top of that, we are accustomed to improving our standards of living, not just keeping pace with growth.



We tend to think that building a million farm and non-farm dwelling units a year is a sizeable accomplishment. But the number of households, each occupying a dwelling unit, has been increasing by about the same amount in recent years, which leaves nothing for replacement of destroyed or obsolete housing. Even if we built an additional 300,000 dwellings a year for replacement only, it would take 150 years to renew our present stock of housing. Surely, we are going to have a high demand for housing for as far as we can see into the future.

We are already far behind on school construction. We can easily predict the growing demand for schools for the next five or six years,

*How single-family house construction dominates the new housing field today is more completely told on page 41.

because the children who will pour into the educational system in that period are already born. The census bureau says that the number of children in every grade will increase at least through 1960, and the number in higher grades will increase long after that. The Office of Education says that we will need to build 720,000 classrooms in the next five years, at a cost of more than $5 billion a year. We aren't building at half that rate even now.

We are so far behind our needs for highway construction that we may see high rates of outlay for the rest of our lives. The number of motor vehicles in use was nearly doubled since the end of World War II; the highway capacity to carry them has fallen woefully behind the load.

A preliminary estimate of needs, based on reports from highway departments of the states, indicates a necessary program of at least $5 billion a year for ten years. The Presidential Committee now studying the problem has already indicated that it calls for an even bigger outlay.

Population Growth the Key

Because population is growing and moving to suburbs, there are continuing demands for new shopping centers; and the competition of these outlying areas is resulting in a move for rehabilitation and reconstruction of city centers with new parking facilities and new and modernized store buildings. Office building projects are considerable and gradually growing in numbers, many of them being financed as the result of direct investment by life insurance companies. The rise of the automobile and the development of new highways will stimulate building of garages and service stations and roadside restaurants and stores.

Population growth and movement will also stimulate building of churches, hospitals, social and recreational facilities and utilities.

Industrial building must also go up in response to increased population and the demand for better living.

Some pessimists think that all the new stimulus has gone from our industrial economy. These people point to the miraculous expansion brought about in the first half of this century by the automobile, the airplane, the

radio, and the development of electricity. They see nothing in the future to provide a basis for new growth and new expansion.

Such blindness is almost unbelievable. We are at the beginning of new frontiers which can make the old ones seem puny.

We are just knocking at the door of the atomic age. We are dimly beginning to see some of the changes that will be brought about by the use of the atom for constructive rather than destructive purposes.

We have come into the electronic age so fast that many of us haven't even noticed it. But it's here, still in its early youth. We have seen only the beginning.

Next: Autologics

And the newest age has barely begun. This new era doesn't have an official name, so for lack of anything better, I call it the age of autologics, of machines that help men to think.

Throughout our industrial history, the story of man's inventions has been a story of devices which improve his physical powers—increase the strength of his arm, the range of his voice, the perception of his ears and eyes. Now we are on the threshold of an age of thought machines. We know what the addition of horsepower has done to revolutionize the world; try if you can to imagine how much more revolutionary the addition of thought-power will be.

Figuratively speaking, we have vast new worlds to conquer. And if you want to let your imaginations run a little further, space travel may give us literally new worlds to explore and develop.

Some think we have a mature economy. Historians a thousand years from now may call us primitive. We are fortunate to be living on the very doorstep of untold opportunity in the one country of the world best qualified to take advantage of it.

"The building industry provided new housing for about 1,200,000 families in 1954 and the outlook is for as many as 1,400,000 housing units in 1955, barring a major reversal of today's economic conditions. This would add some $14 billion to the real wealth of the nation and make 1955 the biggest home building year on record." —*NAHB President R. G. Hughes.*

ARE WE LIVING THROUGH THE

SOCIALIZATION OF THE HOUSING INDUSTRY?

By JOHN R. WHITE
*Adjunct Assistant Professor
New York University*

TWENTY historic years have passed since the FHA was created in the trough of a frightening depression. It is questionable whether its original proponents either recognized or foresaw the growth and power, or the ultimate change in purpose, of this agency. However cynical it may seem, it is difficult to see any other than ulterior, political motives in many sections of the Housing Act of 1954. A vast change has been wrought in the basic philosophy of government and of the people in their attitudes toward housing.

There has been a transition from a relatively free, unfettered housing economy to a political economy where supply-demand market forces have been subordinated to political regulation and dictation for expedient political gain. Short-term solutions have conquered long-term constructive thinking. It has become a fetish to deal in temporary expedients without a passing thought to the long-term implications for the economy.

My contention is that:

One, the public has succumbed to the paternalistic concept that it is somehow a responsibility of the government to provide housing, either directly or otherwise.

Two, the control of housing has been seized upon as a means of sustaining the national economy and of maintaining the gross national product at record levels through the device of credit control. The ramifications are apparent in the uneasy, artificial nature of the housing market today. Viewed from the perspective of the history of the past 20 years, the implications assume alarming proportions. The tragedy is that so few really stopped to realize what had actually transpired. We are currently witnessing the absolute socialization of the housing market while at the same time maintaining the fiction of private property ownership.

Back in 1934, only 125,000 nonfarm dwelling units were started, only 10 per cent of today's production.

Into this disheartening picture of economic stagnation came a truly statesmanlike and imaginative legislative enactment whose foundation rested on the concept of insurance—a form of insurance where distribution of potential losses was spread among the beneficiaries through premium

payments to protect the institutional lender against capital loss. It is regrettable that institutional lenders, whether because of a lack of concerted action, or ingenuity, did not institute their own private mortgage insurance agency under participating stock ownership.

In any event, the original purposes of FHA were undeniably commendable. By assuming the institutional lenders' risk of loss, mortgage funds, which had heretofore been frozen, became available. This was a major step forward since economic recovery in housing would never be possible without the credit accommodations provided by mortgage lenders.

The builder now had an incentive to build. He could obtain high loan-value ratio financing commitments which, in turn, eased financing for him and reduced the equity investment required to build. The purchaser also had an incentive to buy because of the new concept of the low down payment, and because of the elimination of the burdensome, and often destructive, second mortgage. The budget-type, monthly-payment self-liquidating loan became a popular device of instalment buying.

Because of the troubled times, an understandable failure to grasp the potential of mortgage insurance, an acute oversupply in many sections, and a deep-seated distrust of governmental intervention, few lenders took initial advantage of FHA. Then slowly, the mutual savings banks, the insurance companies, and, finally, the savings and loan associations awoke to its possibilities.

By 1936, FHA had issued insurance on 5 per cent of all housing starts. After the 1937-38 recession, the insurance commitments rose steadily by 1941 to 36 per cent among a grand total of 700,000 housing starts. The postwar rise was phenomenal. The breath-taking production year of 1950 (the year of VA credit liberalization) saw FHA reach a pinnacle of 36 per cent of all starts. Together with 15 per cent for VA starts, they constituted 51 per cent of the market.

A decline occurred after March 1951 when the Federal Reserve abandoned its price support of the government bond market. Lenders got smart. When they didn't have too much money to lend and with pressure for higher savings yields, they abandoned FHA-VA and made highly selective conventional loans at higher interest rates. This accounts for the FHA-VA drop to about 40 per cent. Since a cheap-money policy was again embraced the trend shows a strong tendency towards reversal and it may be forecast that the 1950 high of government participation in private housing, aided by the Housing Act, will easily be exceeded. Thus, we face not only greater intervention under the twin impact of cheap money and cheap credit, but also the creation of a higher volume of housing starts.

THIS *is the story by an observer outside the business of where we have been in housing these past two decades—and where we're headed. While not necessarily reflecting any Association points of view, Mr. White's detailed and penetrating anaylsis will prove stimulating reading for any lender—regardless of his own convictions. For one thing, the public has finally succumbed to the idea that it's government's responsibility to provide housing. The government itself has seized upon housing as a vehicle to keep the economy booming. And the lender?—"his judgment simply doesn't count any more. He has been forced to surrender control of a portion of his business and abdicate his role of mortgage officer to the federal government." If you've been in the mortgage business for all or any part of the past 20 years, you should be keenly interested in Mr. White's conclusions.*

FHA accomplished other early miracles. Certainly it contributed to improved appraisal standards. Appraisals of the 1920's were strictly of the "windshield variety."

Although, admittedly, FHA standards are minimum standards, the effects were nevertheless salutary since jerry-building was virtually eliminated, and better inspection practices forestalled deviations from the approved plans and specifications. Initially, FHA encouraged new research into housing styles, equipment, layout and design.

The over-all pre-World War II results were indeed favorable even though many lenders still felt they could exist and compete without FHA. They were to learn to their later chagrin that self-liquidation periods, interest rates, and loan value ratios were to be further liberalized, putting the conventional lender at a terrific disadvantage. For example, the savings and loan associations have recently been forced, however reluctantly, to consider petitioning the Federal Home Loan Bank Board for an increase to 25 years in the self-liquidation period so that they would not be legislated out of the lending market.

It is almost inconceivable that FHA could have deteriorated so rapidly! Unfortunately, the original high purposes and objectives of FHA have, in part, been perverted by the heavy hand of political expediency. The deterioration is easy to trace. It started innocently enough in the year-to-year extension of Title VI, Section 608. No one can logically question the need for this legislation during the war when capital needed a special inducement because of the vast risks involved. The unwarranted continuation of it until 1950 requires closer examination.

Who conceived this postwar "give-away program" under the guise of the FHA label? It would appear that another wartime necessity, Federal rent control (the indefinite continuation of which became a benign objective of every self-seeking politician), had indirectly clamped a tight lid on multiple housing construction and was one of the culprits in the perversion of FHA. Rent control not only resulted in the steady withdrawal of residential space from the rental market because of the inadequacy of the return, it also demoralized the conventional builder and discouraged new construction because of the widespread and uneconomic disparity which existed between the rents and values of controlled real estate and the inflated costs and rents of new construction in an inflated market.

The "608" program was a way out of a political dilemma! Why not solve it by an expedient? Since the elimination of rent control was politically indigestible and no one wanted to risk the prudent long-range but politically unacceptable solution of an orderly,

gradual decontrol, why not attract equity capital by the "handout" process? These were seemingly deliberately conceived handouts encouraged by responsible Federal officials charged with the execution of a defective law. It was a matter of common knowledge among Federal officials that the experienced builder could "borrow out." The average of costs adopted was so liberal that only the inexperienced investor would complete a "608" with a cash investment.

Simultaneously with the passage and administration of Section 608 and its companions, Sections 207 and 213, the failure to tighten up the provisions of the Title I home repair sections until too late was symptomatic of the continuing deterioration of FHA. One could trace in the market a definite tendency towards lowered administrative supervision of Title II—the bulwark of the FHA. The degenerative process was not due to any one cause; a variety of factors was responsible. Most significant, perhaps, in the decay was the postwar haste to turn out housing for socio-political, as well as economic purposes. The Administration then in power no doubt felt a compulsion, not necessarily of charitable origin, to identify itself with a large supply of private housing. If the legislation seemed adequate for the purpose, they insured the goal of more housing by looking the other way on inspection, by compromising standards on material, size, style, plot-size and all other value factors essential in the underwriter's evaluation of the risk.

4 of 10 Are U.S. Loans

The tightening vise of governmental participation in housing is no better documented than in the knowledge that four out of every 10 housing mortgages is either insured or guaranteed by the federal government; seven out of 10 on apartments! We start 1955 with $40 billion in private mortgage debt in which the federal government is the guarantor and insuror.

What have been the results during this same time period of the VA program? Here the only restraint against unprovoked 100 per cent loans was in the $4,000 guarantee provision. Those early days were the days of the combination loan in which FHA insured the first 80 per cent of the value at 4½ per cent and VA guaranteed the top 20 per cent, at 4 per cent interest. An oddity, yes, but certainly liberal to the extreme. It did not, however, satisfy. Further liberalization was achieved as the result of the recessionary episode of 1949. Although housing continued at the same level, it was deemed expedient to extend the self-liquidation period to 30 years, and to insure the participation of the lender by raising the guarantee provision to $7,500.

As a result, we had the greatest year of housing production in the nation's history.

Not widely recognized at the time was a provision which permitted the VA to make loans directly, at a limit of $10,000 each, in capital-shortage areas. This represented an encroachment on institutional lending prerogatives serious enough to threaten the foundations of the private mortgage

banking field. This statement may be decried by the housing planners but the hard fact is that this provision could easily be used as a lever to force private lenders to make loans on any terms which the government deemed expedient. If the principle became sufficiently rooted, Congress would hardly dare to repeal this section of the law; the law would become nothing more than a weapon to enforce the government's housing demands on the lender. It is to the government's credit that the direct lending power has been used with some discretion and that Congress has shown wisdom in imposing a ceiling on the aggregate which could be loaned. These factors cannot obviate, however, this basically dangerous provision which constitutes a threat to the traditional independence of the institutional lender and to the savings of depositors.

A third phase of governmental intervention is of concern. This is the role of public housing as an extension of the welfare state concept, along with the social reforms inherent in unemployment and old-age insurance and minimum-wage standards as well as others. While all intelligent and well-intended people would like to see others in better economic circumstances, serious questions are raised about the means employed to achieve this ideal welfare state.

Public Housing Delusion

Better public and private housing may in themselves be desirable but political action with all the insincerity and the heavy cost which it entails seems scarcely an acceptable substitute for raising housing standards by production. Public housing seems a humanitarian and charitable endeavor since it provides a few people with housing which they could not otherwise afford but deficits must be met by taxing the savings of those not permitted to enjoy its benefits. What makes this neat little trick immoral is the realization that the votes of those who qualify far outnumber those who do not but who, by reason of income, must pay for the housing of others.

Some hint of the eventual outcome of all this can be seen in the experience of New York City which has not only state and Federal subsidized public housing but also so-called non-subsidized public housing offered by the City at rents of $20 per room monthly to families with incomes as high as $5,000 a year or more. Of course, the non-subsidy is a joke. Tax concessions and unique accounting techniques make a mockery of the assertion. The result? 85,000 public units of all types and an absolute lack of new construction of middle income, privately built housing at economic rents. There are hues and outcries from the press and public while the City argues in vain with the State administration for more money to relieve a growing municipal deficit and a mounting debt burden created by a pervading philosophy of "something for nothing," "it's the government's responsibility," and the rest of the charlatan expressions.

The Housing Act of 1954 has served to bring the pattern of the last 20 years into sharper focus. Decreasing the down payment requirements and extending the maturity period on Title II loans from 25 to 30 years is only a further extension of a socio-political and economic need.

It is apparent that housing has become a major interest of the federal government in our political economy. The demand for housing will be artificially created and sustained by politically created conditions not by more conventional phenomena as need, purchasing power, and relative scarcity. Expediency rules the roost!

The long-range results are the same, however, as with all prior instances of "gassing up" the economy by a further undue extension of credit. As was the case in the immediate post World War II period, we now will see higher and higher housing prices, far beyond the justification for them in terms of the immediate labor and material costs, and greater premiums paid for cheap money. Competitive bidding for lush credit terms first creates unwarranted price rises; but, as the pressure of artificially created demand continues, labor, material, and land costs also rise as demand outstrips the available supply and inflation continues to ever dizzier heights.

A far more tragic consequence for the existing home owner and the mortgagee is the imminent danger of an overbuilding boom. Excessive indulgence in legislation of the VA-FHA type exceeds the bounds of business prudence and economic propriety and will ultimately serve only to encourage the distress market where homes may sell at far less than cost and tenuous government-created paper equities will disappear. Critics of this viewpoint contend that an oversupply need not occur, that a still more liberal dose of credit will continually bring new buyers into the market on the wings of a rising population curve and in light of a need for a higher housing standard. Much significance has also been ascribed to the so-called "built-in stabilizers" inherent in unemployment insurance, farm props, social security, minimum wages, and other gifts to the electorate characteristic of a social democracy which it is claimed will tend to create a floor under recessionary tendencies.

There is no dispute on the general conclusion. However, the human factor is usually overlooked. As long as people are either pessimistic or optimistic, and as long as the Malenkovs and Mao Tse Tungs create recurrent international crises, mistakes will be made, economic maladjustments will invariably occur, and calamitous conditions, particularly when fanned by easy credit, can very well happen.

Does not this reasoning also conveniently ignore the deleterious effects of successively higher price levels? Boom prices only provoke more hardship in the disparity between nominal (inflated) dollars and real dollars. Why add unduly to the already heavy volume of private debt?

This new concept of housing, shaped

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and stimulated by governmental credit control, has also produced a unique new class of homeowner.

>> The owner without a financial stake in his housing, who is less inclined to maintain it properly than, say, his car in which he has a $500 equity investment. This is an elementary illustration of human nature.

>> The owner who regards his carrying charges as a form of rent, places himself in an almost transient tenancy status, and takes no interest in civic or community affairs.

>> The owner who has never sacrificed and saved to make a reasonable down payment, consequently takes no pride in his house, and who, when put to the test, will not fight for it but will fade out, if and when real estate prices sustain a significant decline.

This would have been a lot more evident if many of the "no-cash" buyers had not been bailed out by further inflation and the creation of spurious equities. Home ownership, in these cases, has become a myth and a fiction. There has been molded an inchoate form of tenancy, under a form of ownership dependent for its continuance upon the federal government, the tenancy to be consummated when, and if, the wave of foreclosures begins. Does it not seem logical that the administrative stewards of the government, inferentially at least, might expect repayment of this paternalism in political loyalty? And particularly galling and distasteful is the veteran home owner who treats his mortgage obligation with a casual air of impunity, serene in the belief that the government will modify or cancel his (the mortgagor's) obligations if a widespread recession occurs, forgetting that the "government" is nothing more than the already overburdened taxpayer.

Housing a Public Utility?

FHA and VA are only symbols of a new housing era. Its many manifestations are found in public housing, rent control and FNMA. It seems reasonable to conclude that housing has become identified with the public interest. The federal government and others have insidiously promoted the psychology that the public is entitled to new and better housing than it can prudently afford. It has achieved its purpose, not by giving the housing away, but by forcing cheap credit on the lender at possible eventual public expense and, of course, to the detriment of the higher income taxpayer.

Thus, housing has already joined the swelling ranks of the public utilities. No doubt the idea seems strange. It is evident, however, that many present characteristics of private housing are also true of the public utilities. In many sections of the FHA there is regulation of the rate of return, in the setting of a standard of operating expenses and style of construction. Certainly there is control of the rate of construction of new housing through the relative availability or paucity of mortgage guarantee or insurance commitments, or through the simple device of liberalizing or stiffening down payments, interest, and amortization requirements.

Most private lenders would shudder at the thought of a portfolio containing 50 per cent or more FHA and GI loans, not only because they are opposed to undue governmental participation in their affairs, but also because of the lowered interest yield. It seems incredible that the very persons who may be crying for a greater return on their institutional savings are, at the same time, advocating and promoting easy credit for themselves without realizing the depressing effect it would have on interest yields.

The injection of a third party, the federal government, as a guarantor or insuror into the traditional mortgagor-mortgagee relationship has reduced the responsibility of both borrower and lender in the exercise of ordinary business prudence in the conduct of their affairs. The government, which initially may have had nothing but beneficent intentions, although subsequently debased by political overtones, has usurped the lender's prerogatives by transferring the processing, as well as the risk, of the investment to the government—incidentally, a very neat device to control housing under the guise of the risk underwriter's needs. Important deci-

sions concerning the mortgagor's credit standing, valuation of the security, loan-value ratios, interest and principal requirements have been surrendered to the appropriate governmental agency.

Even more alarming is the continuous decrease in the lender's own importance and prestige. His judgment simply doesn't count any more. He has been forced to surrender control of a portion of his business and to abdicate his role as a mortgage officer to the federal government. Are not FHA and VA appraisals accepted in lieu of his own? Could not FHA and VA become alphabetical designations for a new form of HOLC? Correspondingly, the borrower doesn't have to exercise any prudence in his decision to purchase. A combination of low down-payments and low credit standards have lured many families into the belief that they can afford housing which objectively is beyond their means.

Housing has also been designated as the main prop of the gross national product—the foundation of the economic house so to speak. It has slowly, but inevitably, dawned on many persons that housing, through credit and other controls, could be used as an instrument for maintaining a high level of income, and for eliminating the possibility of a significant corrective deflation. Thus, if business conditions constricted, income fell and unemployment rose, why not give the economy a "shot in the arm" by liberalizing the opportunities of home purchase? Since one out of every six persons is directly or indirectly employed in the building industry, the economy could receive a significant impetus. As a short-run solution, this has appeal.

Housing Follows Agriculture?

It is obvious that this was a motivating factor inherent in the changes incorporated in the recently enacted Housing Act. The record spurt of activity in recent months has been nothing short of phenomenal and seems to coincide with a general upturn in business. However, this question arises: Are the long-run consequences of these expedients of any real concern to those planners and legislators who create them? Where is this form of mania going to end? Will the housing industry eventually reach the same status as that in which U. S. agriculture now finds itself and be confronted with the need for subsidizing housing surpluses at 100 per cent of parity to maintain prices? The idea is not as far-fetched as one might think. It is interesting to dwell on the means by which the government plans to extricate itself from this dilemma for which they alone are responsible. Successively more liberal credit terms will invariably result in an oversupply of housing while at the same time creating a price inflation which not only removes housing from the reach of the only mass buyers in the market—the lower middle and middle-class—but also threatens the investments of the legitimate equity holders in housing.

The people now unconsciously demand favors in private, as well as public housing. Unless something is done soon to reverse the trend, we will ultimately witness the absolute absurdity of 80 per cent of families owning their own homes, many tenuously, with the chaos of over-supply solved by government price supports, or subsidies, or cancellation of contractual obligations, or further inflation, where real income will decrease and only nominal dollar incomes will rise. Each of these alternatives bodes ill for the investor, the home owner, and the lender.

Criticism, no matter how constructively intended, should logically beget the presentation of alternatives.

Is there any real solution for the private lender, acting individually or in concert? It would appear that the

only chance of breaking the tightening iron vise of governmental control is to actively seek and work for the transfer of the fundamentals of mortgage insurance to private stock ownership and away from the influence of politics. This is not a new idea. It was proposed and discussed before the creation of FHA. It has been on the shelf too long.

This proposed transfer of ownership would return a brilliant and useful concept to the standards and morals of business prudence and to the calculation of economic (rather than political) risk and away from the temptations of self-interest. There are seemingly insurmountable obstacles. The first is the legal difficulties implicit in state recognition of a privately operated mortgage insurance agency which would supersede state banking and savings laws. Another is the outright reluctance of government to surrender a "good thing." After all, FHA and VA as a credit device can be used as a narcotic to relieve, or as an antibiotic to cure the prospect of a serious business set-back, a set-back partially of the government's own making. The government's concern over this eventuality may be more political than economic.

The next obvious step is for the lender to open his doors to a greater extent to FHA and VA intrusion. It will be difficult in the long run for the lender to invest his constantly growing inflated dollars in conventional loans of sufficient attraction. Greater participation in government-backed paper seems inevitable. With amortization flooding in, with rising savings, with a general inflationary tendency creating more paper money, the lender will have a continually more difficult problem to find sound conventional mortgage investments which meet his standards.

Privately Owned FHA

What type of loan should be insured through FHA? Any loan which in the lender's viewpoint has basic merit but where the loan value ratio, or the credit standing of the mortgagor, does not meet exacting institutional requirements should logically be insured against loss. FHA can be used, as sparingly as the supply of funds dictates, to relieve the pressure of excess funds, and to maintain mortgage investments at a reasonable ratio to deposits. Concurrently, the prospects of the transfer of FHA to private hands might be further explored.

The last possible alternative would be for every institutional lender to participate voluntarily in a program to limit government-backed loans to a certain percentage of their portfolios, and to insist on adequate down payments on 4½ per cent VA loans. It is conceded that this is directly contrary to the purposes of the Voluntary Home Mortgage Credit Program. Nevertheless, not only will this abate the inflationary pressure engendered by easy credit, it will also tend to reduce the supply of housing to the point where it does not endanger the home owner's existing investments. This places a burden on all lenders. It requires a lot of discipline to resist the temptation to make risk free loans. Voluntary restrictions are questionable public relations.

Recall the public outcry when the supply of 4 per cent VA mortgages dried up in 1951 and 1952. Any intimation that all lenders were restricting their participation in government-backed loans might provoke public outbursts against the lenders as lacking a sense of social responsibility. A campaign of this type must be done discreetly lest the public mistake their motives. It is an oddity that a lender's own depositors are among the first to consider him grasping if mortgage funds on easy terms are withheld from the depositors on reasonable grounds. Thus, at a moment when we already have 46,000,000 housing units for our 162,000,000 people, the lender may be castigated for his caution.

The lender's basic policy of caution arises from many factors. Certainly, as a fiduciary for the savings of his depositors, he owes them that. Then, the lender realizes that construction costs have risen much higher than other commodity costs in the last half-century, resulting in less housing value for the dollar. The records support this viewpoint:

» From 1900-1920, cost-of-living doubled while construction costs tripled.

» From 1920-1950, cost-of-living in-

(Continued on page 35)

VITAL STATISTICS fo

MOST noteworthy feature of the month is the resurgence of the housebuilding boom. The number of new houses begun in November [4] reached a breath-taking total of 103,000 dwelling units (all private except 300) and a seasonally adjusted annual rate of 1,385,000. Nothing like this has ever happened in any other November. Even a bad December can hardly bring the year's total below 1.2 million.

Back of the boom is the easy credit situation which has prevailed over the last several months and which is evidenced by the flood of applications for insured and guaranteed mortgages [7]. VA is having its all-time peak year. Appraisal requests are running well over twice those of a year ago. Loans closed for the first 11 months of 1954 amounted to $3.7 billion, which is in excess of the total amount in any previous full year.

The extraordinary thing is that this has occurred without any government secondary market support, a factor present in previous high-volume years. In 1954, life insurance companies and mutual savings banks have been the main supports. Insurance company acquisitions of VA loans [6] through October were more than 3 times those of the same period in 1953.

FHA activity, while lacking the spectacular quality of VA, is nevertheless having a bigger year in terms of applications than any since 1950.

The outburst of good feeling about general business conditions evident last month has become almost universal. "Times ahead to be best ever" and "Business index at highest point yet" are typical expressions. By November it was clear that department store sales [1] were headed for a substantial upturn. Automobile sales are zooming. Heavy consumer buying is pushing up manufacturer's orders. Steel production is back to 80 per cent of capacity. The problem of surplus inventory in most lines is over, and buying for inventory is being resumed. The FRB index of industrial production reached 129 in November and is pointed still higher. The contrast with the foreboding character of the year-end of 1953 could hardly be more marked.

(1). General Business Indexes
(1947-49=100)

	—1954—		—1953—		First 11 Months	
	Nov.	Oct.	Nov.	Oct.	1954ᵖ	1953
Industrial production*	129ᵖ	126	129	132	125	134
Wholesale prices	109.8ᵖ	109.7	109.8	110.2	110.4	110.1
Department store sales*	114ᵉ	113ᵖ	113	110	110	112

Sources: Federal Reserve Board, U. S. Department of Labor. ᵉEstimated. ᵖPreliminary.
*Seasonally adjusted.

(2). Bond Yields

	—1954—		—1953—		First 11 Months	
	Nov.	Oct.	Nov.	Oct.	1954	1953
Long-term U. S. governments:						
3¼% issue of May, 1953, 1978-83	2.68	2.65	3.04	3.06	2.71	—
Other long-term issues	2.55	2.52	2.85	2.83	2.53	2.94
High-grade municipals (Standard & Poor's)	2.28	2.32	2.62	2.72	2.38	2.73
Moody's corporates, total	3.13	3.13	3.38	3.45	3.16	3.43
Moody's Aaa corporates	2.89	2.87	3.11	3.16	2.90	3.21

Source: Federal Reserve Board.

S for the Mortgage Banker

(3). Expenditures for New Construction Put in Place
(millions of dollars)

	—1954—		—1953—		First 11 Months	
	Nov.[p]	Oct.	Nov.	Oct.	1954[p]	1953
Private	$2,322	$2,395	$2,077	$2,154	$23,428	$21,960
Residential (nonfarm)	1,267	1,306	1,034	1,076	12,146	10,979
Nonresidential building	551	541	523	511	5,655	5,173
Public utility	386	410	393	417	4,051	4,069
Farm and other	118	138	127	150	1,576	1,739
Public	941	1,082	947	1,082	10,641	10,584
Total	$3,263	$3,477	$3,024	$3,236	$34,069	$32,544

Source: U. S. Departments of Commerce and Labor. [p]Preliminary.

(4). Number of Nonfarm Housing Units Started

	—1954—		—1953—		First 11 Months	
	Nov.[p]	Oct.[p]	Nov.	Oct.	1954[p]	1953
Private	102,700	105,800	79,900	90,100	1,105,000	1,003,800
Public	300	200	1,600	0	17,800	34,200
Total	103,000	106,000	81,500	90,100	1,122,800	1,038,000

Source: U. S. Department of Labor. [p]Preliminary; figures are revised three months after issuance.

(5). Recordings of Nonfarm Mortgages of $20,000 or Less
(millions of dollars)

	—1954—		—1953—		First 10 Months	
	Oct.	Sept.	Oct.	Sept.	1954	1953
Savings and loan associations	$ 765	$ 766	$ 658	$ 654	$ 6,771	$ 6,232
Commercial banks	393	383	320	315	3,420	3,099
Insurance companies	178	164	123	125	1,399	1,240
Mutual savings banks	140	141	123	123	1,196	1,086
Mortgage companies and others	680	668	522	512	5,773	4,919
Total	$2,156	$2,122	$1,746	$1,729	$18,559	$16,576

Source: Home Loan Bank Board.

(6). Mortgage Acquisitions by Life Insurance Companies
(millions of dollars)

	—1954—		—1953—		First 10 Months	
	Oct.	Sept.	Oct.	Sept.	1954	1953
Nonfarm	$446	$459	$309	$289	$3,795	$3,158
FHA	56	53	60	57	531	693
VA	148	156	42	40	986	320
Other	242	250	207	192	2,278	2,145
Farm	25	25	29	24	337	347
Total	$471	$484	$338	$313	$4,132	$3,505

Source: Institute of Life Insurance. Data include nonresidential as well as residential mortgages.

(7). Applications to FHA for Insurance on New Construction, and Appraisal Requests to VA on New Construction
(number of units)

	—1954—		—1953—		First 11 Months	
	Nov.[p]	Oct.	Nov.	Oct.	1954[p]	1953
FHA applications	28,735	30,075	20,295	21,950	358,740	305,826
Units in home mortgages	26,851	29,325	13,406	17,621	314,253	240,340
Units in project mortgages	1,884	750	6,889	4,329	44,487	65,486
VA appraisal requests	47,729	45,572	22,552	19,270	491,161	232,421

Sources: Federal Housing Administration, Veterans Administration. [p]Preliminary.

Voice of the Home Office

Advises "Build Up Your Reserves"

An official of a leading Middle Western life insurance company looks at the investor-correspondent relationship today and renders a favorable verdict. For the future he emphasizes building adequate reserves by correspondents and cites his reasons.

THE mortgage banker through the services he renders is important to those investors who still prefer the correspondent system over that of the branch office system. It behooves the mortgage banker to improve and protect the correspondent system to the point that an investor employing it would not *want* to consider any other.

That the correspondent is aware of his need to accommodate is evidenced by the many services he now offers his investors. It is well to list occasionally the major services so that all are mindful of them:

» Handles voluminous paper work in accordance with federal government and investor rules and regulations.

» Holds escrow funds, reconciles bank accounts, renders itemized statements.

» Pays FHA insurance premiums, provides required notices.

» Pays real estate taxes, obtains and checks tax receipts and forwards certificates of tax status to the investor.

» Holds hazard insurance policies, effects renewals, pays premiums and supplies the investor with certificates of insurance in force.

» Holds himself responsible financially and otherwise for these and other services, including handling foreclosures, vacancies, sales. He protects himself to the extent possible by errors and omission coverage.

Having assumed these many responsibilities, all during a rising market, the mortgage banking industry must surely do something to protect its future. A most logical method is to build adequate reserves. The mortgage banker must learn that such reserves are for his own salvation.

This is the first of a new series on investor-correspondent relationships and problems. Contributions are invited—signed or unsigned.

If, during a real stormy period (obviously not soon, but it takes time to build reserves), the loan correspondent seeks to throw his servicing back to the investor because of lack of reserves with which to keep going, the forward progress of the correspondent's business reverses itself. What then? The investor establishes branch offices, services his own loans, generates new business. Our mortgage banker becomes a restless broker submitting loans for a finder's fee, his insurance account dwindles, his servicing account is wiped out. He is "out of business" when compared with his present activities.

Voice of the Correspondent

Home Offices Might Try These Ideas

Get all the correspondents together at least once a year, explain the company's lending policies and types of loans it wants, is one idea from a Mountain States correspondent. Another: let's see what we can do to cut this endless paper work.

THE investor-correspondent relationship is a most natural one, and will remain profitable to both as long as we continue to adhere to the principle upon which the relationship was founded. This principle is service—not only service one to the other—but service to the public.

To better serve the public, we must first cooperate to improve our own service to each other. By earnestly cooperating, we are certain to accomplish a better investor-correspondent relationship, which will result in boundless benefits to both—and to the public.

The investor can cooperate to bring this about in many ways:

» The Company should call a meeting at its Home Office for all correspondents at least once each year—for personal interviews and discussion of each other's problems and to more fully acquaint the correspondent with the Home Office personnel, policies and routine. At this meeting new correspondents could be schooled in the Company's lending policies, types of loans it desires, and other fundamental principles so necessary for a complete understanding to establish a permanent, mutually profitable and pleasant relationship. This meeting should be followed up with a monthly letter or bulletin to all correspondents advising of any change in policies, routines or requirements. It should inform correspondents of any new ideas that the Company may be considering and get the correspondent's reaction. The investor should always keep the correspondent up to the minute on its thinking.

» The investor-correspondent and public would benefit if the correspondent could offer the same or better service than local lending institutions. A considerable amount of business is lost to these institutions because of the correspondent's inability to make immediate commitments. Many investors also require the use of independent appraisers on all loans, which slows up approvals. In order to compete with local lending institutions and serve the public better, the investor should place confidence in its correspondents, accept their appraisals when it can legally be done, and authorize them to make commitments up to given amounts. He would be conservative in his actions, because of his responsibilities to the investor. His service to the public would be greatly improved and would produce a larger volume of good business for the investor. This would also tend to cement the investor-correspondent relationship.

» A correspondent is a peculiar fellow in many respects. He is always living in the future, building for the future. He believes every borrower is going to be a bigger and better borrower a few years hence, and that he can serve him again at some future time. For him to do this, it is necessary to become better acquainted with the borrower, and there seems to be no better way than having the borrower regularly coming to the correspondent's office. The loan should be closed there. It should be serviced there. All payments and inquiries relative to that loan should be directed to the correspondent.

Borrowers, too are peculiar people. They prefer to continue to do business with the man with whom they started. They object to sending their money out of town. When the correspondent truly services the loans of his investor, the chances of having that loan paid off as a result of a sale of the security are much less. His opportunities of doing future business with the borrower and the property are greatly enhanced.

In some instances, local brokers and others write to the Home Office of the investor relative to existing loans and possibly applications. Most in-

vestors refer such inquiry directly back to their correspondents. However, there are some investors that could cooperate much better to improve the investor-correspondent relationship in this regard. It is important. If the investor has a well established correspondent, let the local brokers and community know that he is the investor's established representative and that all matters relative to mortgage loans must be initiated through him.

» One of the biggest problems in the efficient operation of a correspondent's office is his accounting department. The investor can assist here. Through its greater experience and wider flung activities it usually has men who could analyze the correspondent's problems and make recommendations that would eliminate some of these problems.

» Last—but not least—the Company can cooperate greatly in the elimination of unnecessary paper work. Such things as owner and tenant affidavits, estoppel certificates, assignment of trust deeds, many duplicates of applications, remittance reports, etc., are what I mean. Standardize all legal instruments and necessary reports as much as possible. Don't bury the correspondent with so much detail he hasn't time to produce new business.

—W. Braxton Ross, Morrison & Morrison, Inc., Denver.

Wouldn't It Be Wonderful If—

Wouldn't it be wonderful if all investors used identical application, appraisal and financial statement forms, had the same collection and servicing procedures, says this Texas correspondent. Now go on with the other if's pointing to a lender's Utopia.

WOULDN'T it be wonderful—

IF all investors used identical application, appraisal and financial statement forms?

IF all investors had identical accounting, banking, remitting, collecting and servicing forms and procedures?

IF all investors gave correspondents sixty days' notice before instituting any changes in lending policy?

IF all investors would realistically approach the problem of conventional residential lending and substitute modern for archaic thinking? With proper selection as to construction, location, borrower and demand, an 80 per cent loan can be just as safe as one for two-thirds—more so as any need for secondary financing would be eliminated. Many investors are exceeding two-thirds of sale price, but with passive resistance rather than wholehearted co-operation. This failure to keep abreast of the times and making proper allowance for the added safety resulting from monthly payments of interest, principal, taxes and insurance; and long term financing making total monthly payments less than rent, is primarily responsible for government competition.

IF all investors were consistent in their own basis of loan purchase, with a set schedule rather than dickering back and forth? This delay frequently enables competition to step in. It would be unfair not to acknowledge that correspondents are partly responsible for this situation by their failure to secure for the investor the best competitive purchase possible.

IF all investors would accept applications from smaller growing towns within a fifty mile radius of the correspondents home office? We are finding that these areas have not been worked as hard; and financial statements of borrowers are way above the average of those in the larger cities. The fifty mile limit is suggested with servicing economy in mind.

IF all investors, including banks, would decline 100 per cent loans where the borrower did not pay closing costs? The government should make this a law and divert its pump-priming facilities into some other field rather than further glut a market when its unsoundness is self evident. There is the story of the veteran who wanted a TV set and didn't have the $10 down payment, so he bought a 100 per cent financed home including closing costs, and where a TV set was being offered as a bonus—and it could have happened in our city.

IF all investors would make construction advances so that some of us little fellows could compete with building and loan associations and the large correspondent operators?

IF all investors (just a few would be bad) had the same schedule of premiums, including what should be charged the borrower? Back in 1921, I built a house and was satisfied to pay a loan correspondent a 5 per cent premium for a five year loan at 6 per cent interest. Recently we lost a good conventional residential loan at 4½ per cent to a competitor who made it without brokerage, giving as an excuse that he considered it unfair and a hardship to charge a borrower for this service. If I were one of his investors he would no longer be a correspondent.

—Carroll L. Jones, Carroll Jones Company, Corpus Christi.

FARM LOANS

1955 on the Farm Likely to Be Little Changed from 1954

Last month in this place we looked at the farm lending prospects for 1955 via agricultural research service estimates; this month we look at the over-all farm picture. Summary: not too much change from 1954 with farmers still in the cost-price squeeze.

CURRENT prospects for the financial situation in agriculture suggest that, for farmers as a group, 1955 will not differ greatly from 1954. Net realized farm income should approach that of 1954. The value of farm assets may be slightly lower but the change from 1954 should not be large.

The new year will bring considerably better conditions for farmers in areas that were seriously affected by drought in 1954 if precipitation increases in those areas. However, farmers as a group will continue in 1955, and probably in several later years, to face the problem of adjusting to the cost-price squeeze in agriculture.

Expressed in constant prices, the physical assets of agriculture will total about the same at the beginning of 1955 as a year earlier. But due to the decline in land values and, to some extent, other prices, total current value of agricultural assets, including financial assets owned by farmers, is expected to be about \$156.5 billion on January 1, 1955. This would be 8 per cent below the peak first-of-year value of \$170.1 billion in 1952, but 46 per cent above 1946, the first postwar year when total assets were valued at \$107.3 billion.

Principal declines from the 1952 peak values are in farm real estate and livestock. Farm real estate has fallen in value nearly \$9 billion, or about 9 per cent; livestock has fallen about \$8 billion, or more than 40 per cent.

Farm debts on January 1, 1955, are expected to show little change from a year earlier. Farm mortgage debt continued to increase in 1954; by the year-end it may have increased as much as \$0.5 billion. Price-support loans of farmers, made or guaranteed by the Commodity Credit Corporation, are expected to be about \$0.3 billion lower than a year earlier, largely because of the smaller crops of cotton and wheat produced in 1954. Other non-real-estate debts of farmers, which are incurred mainly to meet current expenses of crop production and to buy livestock, feed, motor vehicles, and farm machinery, appear likely by year-end to approximate the amount owed at the beginning of 1954. However, they will be considerably below the amount owed at the beginning of 1953.

As a result of declining asset values, equities of farmers and other owners of farm properties are expected to drop about \$3.4 billion, or 2.4 per cent, during 1954. This would bring them to \$139.3 billion, or 10.5 per cent, below the peak level of \$155.6 billion reached at the beginning of 1952.

In 1955, cash receipts from farming may be somewhat under the \$30 billion estimated for 1954, reflecting further acreage restrictions on cotton and wheat and the moderately lower support price established for the 1955 wheat crop. But with some further reduction in farm production expenses, realized net income of farm operators in 1955 should approach that of 1954.

Despite drought and acreage controls in 1954, supplies of agricultural products remain large. Domestic demand for farm products has been maintained at a high level, but gradual shifts in domestic demand and the sharp decline in export demand since 1951 has called for reduced production of several important crops. If the economy remains prosperous, increases in population will gradually increase our domestic demand for farm products. But continued controls over production of some crops will be in effect in 1955 and, possibly, for several later years.

The present capacity of agriculture assures an abundance of food and fiber for the nation but it also means that farmers must hold some productive capacity in reserve to avoid flooding markets and depressing prices.

Farmers will be aided in avoiding overproduction by acreage allotments, marketing quotas, and possibly other programs. Moreover, efforts are being made to stimulate both domestic consumption and exports of agricultural products. But, individually, farmers can do much to keep production in line with market demand. If all farms had been so operated as to maintain fertility and control erosion, surpluses of many farm crops would be considerably smaller than they are today.

This year will be a propitious time for farmers to take out of cultivation their less fertile acres and to seed grass and legumes on land subject to erosion. These measures will hold the soil in place and build up fertility on which farmers can capitalize when markets improve. On farms where more livestock or dairy production will ultimately be profitable it might be well to begin now to change cropping systems and to establish the pastures that will be needed later. The resulting increases in livestock production would come at a later time when market outlets may be somewhat larger.

Notwithstanding the fact that farm income has declined considerably in the last two years, most farmers appear to have adjusted their expenditures to lower incomes. Some have had to increase their debts but others have reduced theirs. Farm mortgage debt has been increasing since 1945, and in the last five years the rate of increase has been 7 to 9 per cent a year. But farmers' non-real-estate debts declined in 1953 and probably remained fairly stable, except for seasonal variations, during 1954. Moreover, farmers, as a group, have increased their liquid savings in the form of time deposits and United States savings bonds in the last two years. If farm income remains near present levels, farmers generally, except those in drought areas, may be expected to maintain their financial positions pretty well despite the cost-price squeeze and any need for adjusting their production programs.

The credit situation in agriculture remains generally favorable. Approximately 70 per cent of the farms in the country are not mortgaged; relatively few farmers have debts that are burdensome at current income levels; and payments of farm debts remain at a high level. Supplies of funds for making both mortgage loans and non-real-estate loans to farmers are generally adequate. Interest rates eased during the past year. Production emergency loans have been made available by the Farmers Home Administration to farmers in drought areas.

Significant costs in farming, which often are overlooked, are those for taxes and insurance. Usually, farmers can do little to reduce these costs. With regard to insurance, it would benefit farmers in many instances to increase expenditures. For example, rising values and construction costs during recent years have left large numbers of farm buildings underinsured against fire, windstorm, and other hazards. Also, it is likely that many farm operators do not carry adequate life insurance. Further, because of heavy mechanization and increased investment in the farming business since World War II, the need for liability insurance has risen greatly. As farm people come to recognize their need for protection against these various risks their expenditures for insurance will increase.

Property taxes of farmers, because of the continuing rise in State and local expenditures, probably will increase in 1955. However, Federal income taxes paid by farmers will be lower than in other recent years because of the decline in farm incomes in 1954 and the change in the tax laws. Recent changes in the federal income tax laws will benefit farmers in several ways. Not only were income tax rates lowered for 1954, but more liberal deductions are allowed by the new Revenue Code in computing taxable income.

Amendments in 1954 to the Social Security law may have great long-run implications to farmers. In 1955 old age and survivors insurance will be extended to about 3 million farm operators and to an additional 2 million hired farm workers. This insurance will require payment of new taxes by farmers and hired farm workers, but it will provide them with income upon retirement after attaining age 65. In the event of death, after meeting minimum requirements as to covered quarters, it will provide benefits to their wives and minor children. A few of the older farm operators and hired farm workers will be able to qualify for retirement income in the latter half of 1956. Income payable under this law, which may run as high as $162.80 per month for a retired farmer and his wife, should encourage older farmers to transfer management, or ownership, of their farms. They will be less dependent on income from the farm than formerly.

Mortgage SERVICING *Department*

WILLIAM I. De HUSZAR, *Editorial Director*

A Pattern for Planning Good Loan Servicing Today and Tomorrow

THERE was a time when servicing a mortgage loan was a very simple thing. If payments were made, there was no need for servicing; if they weren't, foreclosure followed. No systematic follow-up procedures were maintained for collection of payments nor for correction of breaches in the covenants of the mortgage. Prior to the big depression of 1931-34, less than 12 per cent of all mortgage loans were written on a reduction basis. Little attention, if any, was given to curing delinquencies even of this 12 per cent. On all other loans, interest only was collected, and the borrower was expected to take care of the tax payments and fire insurance on the property. No systematic follow-up was made by the lender covering the requirements for adequate insurance, or whether the property taxes had been paid, or even whether the interest had been paid. In other words, servicing of mortgage loans was practically non-existent. Not all lenders, of course, followed these practices, but enough did to create a distinctly undesirable impression. Millions of dollars were lost during the depression by both borrowers and lenders, due in part to those unsound and inefficient loan servicing practices.

Willis R. Bryant

Today sound and prudent mortgage lenders are constantly moving forward in the improvement and expansion of every phase of loan servicing.

These developments in loan servicing have changed some of the patterns in mortgage lending operations and have played a major role in the present health and liquidity of loan portfolios. As a result, these portfolios today are probably in the strongest position in history.

The most important problem which has faced mortgage lenders during these years has been to reduce loss exposure. There is no doubt that this has come about by reduction of risks of loss, reduction of all controllable factors which contribute to these risks, removal from portfolios of chronic delinquent, problem and trouble loans, development of scientific interview and credit analysis procedures, improved appraisal techniques, recognition that the borrower himself is an important defense against the risks of loss and the factors which contribute to these risks, and maintenance of the maximum number of loans in a current condition.

The major loss exposures have always been the chronic delinquent and the problem and trouble loans. By intensive loan servicing, most of these have been eliminated from portfolios by astute lenders.

Other factors which contribute to the risks of loss include sickness, unemployment due to strikes, depressions and other economic conditions, war, acts of God, depressions, recessions, financial distress, marital difficulties, accidents, probates and bankruptcies. These can be termed "warranted" delinquencies that cannot be easily controlled or corrected except by the time element, plus intensive follow-up procedures.

These "unwarranted" delinquencies can and should be quickly corrected and completely controlled. These comprise carelessness, improper regard for obligations, over-extension, improper handling of income and vacations.

Development of scientific interview and credit analysis procedures have reduced loss exposure greatly by helping to eliminate as much as possible the above risk factors. In many cases an analysis of a loan in foreclosure will reveal some weakness in the interview and credit analysis at the time it was made. This is a valuable guide for future loaning operations.

Methods of originating and servicing loans sold to others have been improved by many lenders in such a manner as to reduce the cost of servicing and to increase earnings.

The last item of importance in this program has been the endeavor to improve customer and public relations, and even human relations. There is no doubt that techniques in the reception of potential borrowers have been greatly improved. Most lenders now explain their mutual responsibilities to the borrower at the time the loan is closed. The covenants of the mortgage, payment due dates, and many other items are described to the borrower at that time. Methods of contacting and interviewing borrowers regarding delinquent loans have probably been more greatly improved than any other phase of mortgage lending operations.

By WILLIS R. BRYANT

Vice President, American Trust Company, San Francisco

The massive and rapid growth of mortgage lending has placed on lenders the responsibility of taking into consideration the effect of their operations upon the economy of the whole country and of the immediate areas where their loans are serviced. Efficient loan servicing operations will help them to discharge this responsibility.

Because of the public relations aspect of mortgage loan servicing, we must also be concerned with the welfare of our communities and the welfare of the persons who are served in those communities. Today we find that those mortgage lenders who have evidenced such concern have greatly improved customer, public and human relations.

To maintain loan servicing at the highest possible level of efficiency, it is necessary that mortgage lenders know precisely what operations are embraced in mortgage loan servicing. These operations are now fairly well identified and understood. Mortgage loan servicing is not concerned only with servicing delinquent loans. It embraces many other operations as well. Basically, general loan servicing is concerned with the mortgage lender's own loans, with loans serviced for others, and with delinquent loans. These three basic servicing operations must be thoroughly synchronized, otherwise inefficient loan servicing will result.

Servicing of a mortgage now starts when the lender and the prospective borrower first meet. It continues throughout the life of the loan. It is based on the very obvious fact that the borrower and the lender must completely understand the mortgage obligation, and that the borrower as well as the lender must have the greatest possible protection in the transaction. It must be an arrangement equitable to both parties. That this concept of mortgage loan servicing is paying off is evident in the existing health and liquidity of portfolios.

Loan servicing today comprises all of the functions involved in administering a loan from the time the funds are disbursed until the loan is finally satisfied. Constant supervision and analysis of the good loans to insure maintenance and quality is recognized as a "must" today. Good loans do not go sour over night. Quick action at the first indication of weakness will save many loans from becoming delinquent, trouble or problem loans. This is real preventive loan servicing. It requires close attention by executive management as well as continuous portfolio analysis and research.

A delinquent loan is now identified and defined as one on which any payment specified in the note or mortgage or deed of trust is not made when due. A loan also becomes a problem loan through failure of the borrower to comply with other covenants in the mortgage or deed of trust.

During the period 1931-1933, it is estimated that $15 out of every $100 represented a loan that was in trouble. Even as late as June, 1935, $6 out of every $100 invested in mortgage loans represented a delinquent, problem or trouble loan. Today the national average on loans delinquent sixty or more days is less than forty cents out of every $100 invested. This is remarkable, especially when we consider the great growth of the mortgage lending industry during the past few years. It is a direct reflection on the outstanding improvements in the techniques of all phases of loan servicing. The possibilities of even greater improvements must be given minute attention.

On delinquent loans the "pay up or else" attitude in nearly all cases is out—for good. A new public relations as well as a new human relations concept has taken its place. An able servicing officer must have a pleasant personality and be able to win the confidence of the borrower. One good servicing officer is worth an army of collectors. Such an officer will collect the delinquencies and retain the respect and confidence of the borrower.

It is recognized today that the major factors in delinquent loan servicing are immediate contact with the delinquent borrower, diplomatic interview, explanation of mutual responsibilities, accurate records and reports, prompt delinquency notices, and a foolproof system of follow-up.

During the past few years, mortgage loan borrowers have made instalment purchases of furniture, television sets, washing machines, automobiles, and many other items, frequently on quite liberal terms. These contractural pay-

ments are frequently not made a part of the borrower's monthly budget. In such cases the borrower can easily become over-extended and the monthly payments on the mortgage loan can become in default.

Today mortgage lenders realize more than ever before that efficient and effective loan servicing in all of its phases will have a far reaching beneficial effect upon the economy of the nation, will assure the maintenance of satisfactory customer relations, will protect the safety of the investment, will aid in keeping the portfolio in a liquid condition, will reduce operating costs, and will increase earnings.

By solving the problem of efficient loan servicing we will be better prepared for any contingency which may lie ahead. All prudent lenders know by now that poor servicing can ruin a good portfolio. Even though most loans are now written on an amortized basis and methods of operation have been greatly improved, many pitfalls remain.

None of us can predetermine a sudden and prolonged period of high delinquencies and losses. However, all of us have at hand the means of keeping delinquencies and resultant losses at a minimum regardless of contrary influences.

Our administration of the loan portfolio, therefore, must continue to be geared to withstand the shocks that could come if the present real estate cycle comes to an end.

An analysis of our accomplishments to date clearly reveals that many of the problems solved have been the result of advanced loan servicing techniques. In other words, loan servicing has grown up. It is definitely a part of executive management and should be so recognized.

HOUSING SOCIALIZATION

(Continued from page 25)

creased 60 per cent while construction costs have increased 120 per cent.

Thus, construction costs have far outstripped commodity costs in general. The fundamental reasons are that materials costs (such as lumber) have risen higher than general costs; that technological improvements in basic construction have lagged behind other industries, and last, that labor is notoriously unproductive, partially because of technological reasons and partially because of union policy. It seems obvious that construction costs will continue to rise higher than costs in general.

At first thought, this may seem a favorable factor for the lender—continually rising costs may bail him out of poor loans. But price rises usually create commodities of lower quality by way of compensation. Housing today, despite the fancy kitchens and baths, represents a significant net decline in real value. Thus high housing costs have a spurious ingredient, and, if a general real estate recession ensues, housing values will decline a lot faster and lower than other commodity prices and at a much more accelerated rate than construction costs.

These are all sobering thoughts. None of us like to be calamity howlers. If restraint is exercised, the housing industry can remain on a sound basis. The restraint involves not only the lender, in adjusting loan-value ratios, interest, and amortization, but also the builder, in adjusting his production to demand.

>> SUCCESS STORY: In 1954 the prefabricated housing industry produced about 75,000 units, or roughly 6 per cent of the nation's new dwellings. In 1955, according to House & Home, it will produce about 125,000. This will be from 8 to 10 per cent of 1955's new housing, assuming total new units for the year remain within the range from 1,250,000 to 1,500,000.

Although prefabrication is steadily becoming more efficient and economical, the industry will have to fight harder and harder each year to increase its percentage of the market. By its own growing effectiveness, prefabrication has been germinating and stimulating its own competition in many other quarters, constantly causing conventional builders to become more efficient and better builders, better businessmen and better merchandisers.

In some respects the distinction between "prefabrication" and the most efficient "conventional" building utilizing pre-assembly techniques is gradually disappearing and may not be apparent at all in another decade. "Already big builders operate so efficiently they achieve factory-engendered economies without having to set up a factory," it says. "Many, in fact, have taken prefabrication methods further than almost three-fourths of the factory prefabricators."

PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

Experienced farm mortgage official, familiar with major agricultural regions of United States interested in re-locating with lender who wants to build up high quality farm mortgage loan business. Write Box 319.

MORTGAGE MAN, to arrange Residential Financing for Prefabricator's Builder-Dealers. Should know VA, FHA Procedures, experienced in Construction and Permanent Loans. Job requires extensive travelling. Salary, expenses. Write: MODULAR HOMES, INC., Rt. 13—KIRKWOOD, ST. LOUIS 22, MISSOURI.

Report to the Members

SUMMARY OF ECONOMIC CONDITIONS WE FACE

Some radical changes in economic conditions, or at least the national thought about economics, should be considered by us if the business course we plot for our companies is to be wise and effective. The following have increased steadily in importance over the past decade:

(1) The government as a producer and consumer of goods and services, as well as a regulator of prices and maker of rules. The only departure from this long-range trend has been during the Eisenhower administration.

(2) Trade unions. There are now about two members of a trade union for every stockholder of a company in the country.

(3) The use of the long-term monthly payment loan. This loan was brought into popular use not by mortgage companies, banks or insurance companies, but by the federal government.

(4) The contest between our country and Russia, wherein Russia intends to spread Communism to the entire world and we intend to prevent it, produces a condition whereby a wartime economy, cold or hot, will prevail for decades. It has prevailed since 1939.

(5) Large individual savings.

(6) The private debt. But in its relation to the national product, it has decreased.

(7) The public debt. This is alarming to many, and considered beneficial by many. Is it not safe to assume that the national debt will continue to increase? This may not be as bad as we would think, so long as it is not out of proportion to the national product.

There has been an abandonment of the idea that the economy is self-regulated. It has been replaced with the view that the economy must be regulated, and government must do it. These are some of the economic conditions which provide the backdrop against which we mortgage men perform.

WHY ARE PROFIT SHARING PLANS SO IMPORTANT

. . . and so profitable to employer and employee alike? Here are some of the reasons:

(1) Favorable tax treatment has been granted by Congress to qualified profit sharing plans for employees.

(2) A company's contribution to a "plan" is fully deductible (tax free) within fairly generous limits.

(3) The income from the investments in the "plan" itself is free from tax, and therefore grows rapidly.

(4) The employee (participant of a "plan") is not taxed when the company contributes to his account in a "plan," but is taxed only when he receives his benefits.

(5) An executive or other highly paid employee obtains income tax and estate tax advantages. His share of the "plan" alone can be a substantial amount of the tax savings.

(6) A profit sharing plan is not a burden. A "plan" is a boon to good employee relations, longer and more loyal service.

(7) The most important reason is that a "plan" might be said to exemplify Christianity in action. It is a Christian's answer to the Communists' claim that a worker—and aren't we all—doesn't share in the profits he helps to create. It is, therefore, good insurance that our way of life will survive. My company is in its fourth year with a "plan," and you may have a copy of it if you wish. I will also refer you to other mortgage bankers who have "plans" in operation, and I welcome the names of other companies who also have "plans" and are willing to share them with interested members. Get into this important and profitable system of business.

Wallace Moir

WALLACE MOIR *President*

MBA Directory

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GOVERNORS, REGIONAL VICE PRESIDENTS, ASSOCIATE GOVERNORS AND PAST PRESIDENTS SHOWN PAGE 1

Differences in FHA and V

THE technical and legal differences between the VA and FHA concepts of value may be illustrated by an actual appraisal experience. The appraiser involved had for many years made appraisals for a mortgage company. This company represented a life insurance lender dealing largely in conventional loans. One day in 1944, he eased his automobile to a stop at the curb of an old, poorly maintained residence in a declining neighborhood. Checking the address on the appraisal request again, he looked at the street sign and the house number to be sure that this was the subject of the application—then he started the motor to drive away. Obviously, he had judged the property from the viewpoint of the conventional lender whose policy would rule out such property. Suddenly he remembered that this was a GI appraisal. He stopped and went into the house.

E. P. Schumacher

For a GI loan, the appraiser must make the inspection and report regardless of the type or location of the property. If the veteran wanted to buy this house, the appraiser was required to compare it with similar properties in the current market. There would be no automatic weeding, according to preferred risks, as would be the case with a conventional loan. The Veterans Administration tries only to supplement the buyer's judgment and knowledge of a fair price for the property. The prerogative in choosing the property is completely left to the veteran. The FHA concept of value, on the other hand, is the same long-term, economically sound concept that has historically guided the conventional lender.

It would be obvious, therefore, that appraisals made under the VA concept of a fair price in the current market and under the FHA concept of the mortgage risk involved might be very different. There has been a long period during the housing scarcity when buyers were disregarding depreciation and obsolescence in which case the current market would be considerably above an economically sound value.

A current market concept was essential in the intent of Congress to put the veteran on an equal basis with other buyers who had not been away. The reason that there has been a ceiling price included in the VA concept is that the veteran must be protected against paying premiums for the very advantageous terms which were created for his benefit. Nevertheless, it is acknowledged that the effect of the liberal financing has advanced the market prices in various communities to varying extents.

Since the GI legislation is clearly intended for the benefit of the buyer, it also takes into consideration the fact that many of these buyers are not experienced and informed businessmen. As is the case in most installment arrangements, the veteran is usually concerned more with the amount of down payment and monthly requirements to discharge the debt rather than the prime consideration of total sales price. Many veteran buyers are young men in their early 20's who have not yet completed their education; their future may be uncertain and their income and size of family has not been definitely established. Such buyers, while having an opportunity to shop around and make comparison on the basis of their needs and ability to purchase housing, are usually under compulsion to get settled quickly and, therefore, cannot be expected to exercise the prudence that a more experienced buyer would

This is the first of a series of articles on appraising to appear monthly in The Mortgage Banker. The element of government risk in both the FHA and VA programs give them a strong similarity from an investment standpoint, but there are well-defined differences of concept which explain the differences in valuation conclusions, as Mr. Schumacher explains here.

Mr. Schumacher is vice president of United Service and Research, Inc. of Memphis, mortgage bankers representing life insurance companies, savings banks and other clients. He is a senior member of the Society of Residential Appraisers on whose board of governors he has served since 1952. He is a newly-elected vice president of the International Society for 1955. He is past president of the Real Estate Board of Memphis and is a member of the American Institute of Real Estate Appraisers. For several years he has lectured on appraising before the School of Banking of the South at Baton Rouge, Louisiana.

d VA CONCEPTS of VALUE

By **ERNEST P. SCHUMACHER**

demonstrate. These buyers might employ an appraiser if they were entering the transaction without the benefit of GI financing and the Veterans Administration only attempts to assure that this appraiser will be a thoroughly qualified and objective professional man.

The purpose of the FHA, which was established during a period of stringent housing credit, was to encourage the programming of housing by a uniform rating of mortgages which were to meet certain standards and, therefore, be a better risk than the general run of available mortgages to investors. It is logical, therefore, that its entire approach should be in establishing an upper limit of mortgage insurance rather than a price to the buyer as the system represented the mortgage factor in the transaction rather than the buyer. In a program that is not designed primarily for the buyer's benefit there would be no reason for Congress to limit the price and, therefore, any excess is subject only to being covered in the down payment.

The FHA concept considers the informed judgment of a professional appraiser as to the amount which "a well informed purchaser acting without duress or compulsion would be warranted in paying for such property for long-term use and investment."

There have been many cases (and it is perfectly logical that there should be) in which the VA and FHA appraisals on a new house that is well located and contains no elements of design obsolescence are identical.

There are sometimes complaints from builders or mortgage lenders about differences in the valuations on the same property by VA and FHA methods. Basically, the construction requirements of both agencies are so similar that there should be limited discrepancy in their consideration of new homes. Of course, if a home contains certain items that are not recognized under either system of requirements, it is obvious that there will be a difference. Where construction requirements are equivalent and building conditions are exactly the same, there should be complete agreement on the factual parts of the appraisal such as the construction cost. The relationship of the cost of various items in the house to the general standards for that price bracket would be of greater significance in the FHA long-term concept than it would in the VA system which recognizes fully what the buyer is justified in paying. Even under the VA system, of course, freak designs or untested building methods or materials would be discounted because the market has not yet recognized them.

While the element of government risk underwriting in both financing programs gives them a strong similarity from an investment standpoint, these simple differences in concept illustrate why there should rightfully be differences in the valuation conclusion.

There is always some question about the reasonable margin of error among either staff or fee appraisers. Variations also arise in the speed with which changes in the market are reflected by various procedures. Clearly, however, the important thing to know before judging any appraisal is the purpose or basis for that appraisal.

Tighter Money Is It Ahead?

By **DR. JULES I. BOGEN**

Is another significant change in the money market here? Dr. Bogen thinks so and cites his reasons. He is professor of finance at the graduate school of business administration of New York University and a regular lecturer at the MBA-NYU Senior Executives Conference.

A HARDENING of interest rates and a supply of new investments in excess of the current demand are in prospect for the next few months—or longer.

This change in the trend of interest rates is the more dramatic because it is taking place after nearly eighteen months of rapidly falling rates of interest. The turn in the bond market is itself a striking testimonial to the success of the aggressive easy money policy that the federal reserve system launched in the late spring and summer of 1953 to check the business recession.

Four major forces are causing interest rates to firm and bond prices to soften. These are:

» *A record demand for mortgage money to finance both new construction and transfers of realty ownership at high prices.* The supply of mortgages is becoming a veritable flood. In the first nine months of last year, mortgage debt increased at an annual rate of almost $12 billion. The largest increase reported previously in any

one year was $10.1 billion when home building was stimulated to an extraordinary extent by the outbreak of the war in Korea. The full impact of liberalization of FHA has yet to be felt in the mortgage supply. The more liberal terms authorized in the Housing Act of 1954 became effective on October 1.

Lending institutions that had been bidding up bond prices earlier last year because they feared a shortage of new investments are now finding that they can satisfy their requirements out of the ample supply of mortgage loans that is available.

>> *The prospect of a moderate decline in the volume of savings due to increased consumer expenditures.*

Personal savings have been at a record peacetime level during the past two years. But the proportion of income saved, as estimated by the Department of Commerce, registered a decline each quarter last year. It was 8.6 per cent in the first quarter, 7.8 per cent in the second quarter and 7.3 per cent in the third quarter. Aggressive selling of goods and price reductions have stimulated purchases, while the upturn in business activity has strengthened public confidence in the economic outlook and so caused many people to spend more and save less than previously.

Moreover, there are clear evidences that a growing number of people are more willing to invest in stocks. Persistently rising stock prices and the greatly increased turnover indicate that a larger proportion of current savings is being invested in equities. While thrift institutions will doubtless continue to receive the bulk of current liquid savings, their proportion of the total tends to decline under existing conditions.

>> *The upturn in business activity since the summer months.*

Business recovery, sparked by the building boom and the upturn in sales of automobiles and other durable goods, will lead to increased credit demands if it continues. The upturn in business will affect interest rates most, however, by its impact on the fourth factor affecting the bond market—federal reserve policy.

>> *Just as the easy money policy of the federal reserve system was the most powerful influence causing interest rates to decline since the summer of 1953, so the adoption of a mildly restrictive credit policy could be the decisive factor causing a hardening of interest rates in the months ahead.*

Federal reserve spokesmen have emphasized* the fact that their policy now is one of flexibility, adjusting the level of bank reserves to changes in business and credit conditions as these occur.

The easy money policy has accomplished its objective in limiting the magnitude and duration of the business recession. The fourth quarter of 1954 has proved the most active of the year, with industrial production in December running ahead of that of the same month in 1953.

Federal reserve policy is bound to be influenced in some measure by the rise in stock prices to new high record levels and by the unprecedented rapid growth of real estate mortgage debt. In both these sectors of the economy there are evidences of boom conditions that can be restrained to advantage, if we are to avoid a repetition of the boom and bust pattern of the past. In the case of the stock market, reliance may be placed chiefly on raising margin requirements, since this power is specially designed for the purpose. But as part of a broader program to keep the current recovery, which has been greatly aided by easy money, from developing into a broad and unstable boom, a tighter money policy could well follow. This would take the form of reductions in open market security holdings of the federal reserve banks that would cut down excess reserves of member banks and reduce pressure upon commercial banks to expand their loans and investments.

Clear evidence of a tightening of federal reserve credit policy would, of course, influence the investing policies of all financial institutions.

The extent and duration of a tightening of federal reserve credit policy would depend upon how far and how long the current business recovery will go, and upon the extent to which boom tendencies continue to develop in particular sectors of our economy.

*Chairman Martin, since this was written, said no change in the easy money policy.—Editor.

It's Single Family Houses 7 Out of 8 Built

That's far in excess of the ratio in any previous period of high building volume. The life companies alone have 80 per cent of their mortgages and about 40 per cent of the dollar volume on single family houses. And the trend gains momentum.

THE one-family home, long a familiar and important part of American housing, has become an even more predominant characteristic, since the end of World War II, of the way people live.

Figures compiled by HHFA on new home starts show that approximately seven out of every eight dwelling units built in the last few years have been one-family residences. This is decidedly higher than the comparable proportion in past periods of building activity, going back to the turn of the century. During the building boom of the Twenties, in fact, single-family homes represented on the average only about six out of every ten dwelling units built in that period.

The trend toward more and more one-family homes, usually owner-occupied, is one of the significant social and economic developments that have occurred in the last generation. Homeownership is one of the integral parts of our rising standard of living, and its growth is indicative of the financial progress the man in the street has made in recent years.

A fundamental factor, of course, has been the great increase in the average level of income over the last decade. Figures compiled by the Federal Reserve Board show, for example, that the average income of all spending units exceeded $4,500 in 1953, a gain of $1,700, or approximately 60 per cent over 1946.

Of great importance, too, from the potential home-owner's point of view, has been the abundance of mortgage money and the readiness of private lenders to make these funds available. The life insurance companies, as an instance, now have about $25 billion of policyholders' funds invested in mortgage loans, more than three times the 1945 total. Some 80 per cent of all these mortgages in number, and more than 40 per cent of the total in dollar amount, are on one-family homes, it is estimated.

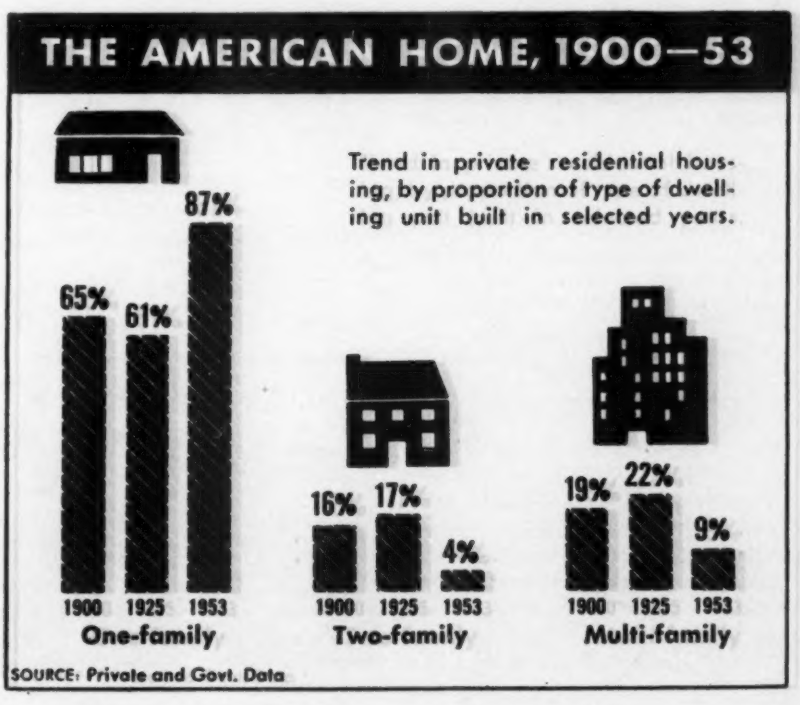
The increased popularity of the one-family residence has been accompanied by a marked decline in the number as well as proportion of other types of dwelling units being built.

The record shows that the two-family type of residence particularly has lost ground and now represents only an inconsequential part of the construction picture. At one time in the Twenties the two-family home represented as much as 20 per cent of all new dwelling units built. The equivalent proportion this year, according to the latest BLS figures, is only about 3 per cent, the lowest ratio since 1900.

The multi-family type of dwelling unit has likewise shown a substantial decline in importance in recent years. Since 1950 fewer than 10 per cent of all dwelling units have been in the multi-family classification. By contrast, the proportion was up to more than 30 per cent in two years in the Twenties (1927 and 1928).

The following table gives the long view of the changing trend in the home-building picture from the turn of the century to the present (figures are for private starts only):

Year	Number of Dwelling Units (Thousands)	Percentage Breakdown 1-Family	2-Family	Multi-Family
1900	189	65.0	16.3	18.6
1910	388	64.8	14.8	20.3
1920	217	79.6	10.2	10.2
1925	937	61.0	16.8	22.2
1930	330	68.8	8.8	22.4
1940	530	84.6	4.8	10.6
1945	209	88.7	4.2	7.1
1950	1,352	85.1	3.1	11.8
1953	1,068	87.3	3.9	8.8
1954 (6 mos.)	561	88.6	3.0	8.4



VHMCP, Urban Renewal and the 1954 Housing Act on MBA Chicago Agenda

MBA's 1955 Conference and Clinic program will highlight recent new developments in the mortgage business such as the Voluntary Home Mortgage Credit Program, operations under the liberalized Housing Act of 1954 and the renewed impetus given to urban renewal. At the same time, it will feature a return to discussion of some of the more traditional operations of the industry such as how to handle a conventional loan business. John F. Austin, Jr., Houston, is committee chairman arranging the meetings.

Homer Livingstone

John F. Austin, Jr.

The program opens February 24-25 with the Midwestern Mortgage Conference in the Conrad Hilton Hotel, Chicago. As usual, because of Chicago's central location, this is likely to be the largest of the Conferences and Clinics. Howard E. Green, vice chairman of the Clinic Committee and president Great Lakes Mortgage Corporation, Chicago, is in charge of the Conference.

President Wallace Moir, Beverly Hills, California, will open the meeting with a talk on "What's Behind the Latest Mortgage News?" and this will be followed by a series of three talks on MBA's educational and research program:

"How You Can Use Our Educational Program to Profit" by Walter C. Nelson, chairman, Educational Committee, president, Eberhardt Company, Minneapolis.

"How the Research and Educational Trust Fund Can Benefit Your Business" by Byron T. Shutz, member of the Trust Fund Committee, president, Herbert V. Jones & Company, Kansas City.

"How the MBA Research Program for 1955 Is Designed to Aid You" by Robert H. Pease, Chairman, Research Committee, president, Detroit Mortgage and Realty Company, Detroit.

The first session's highlight will be an address by Homer Livingston, president, American Bankers Association and president of The First National Bank of Chicago.

The first afternoon will feature an address on urban redevelopment and rehabilitation and the possibilities they offer for the mortgage loan industry. There will be an address on VHMCP, followed by a panel discussion of the program with Lindell Peterson, Association vice president and president, Chicago Mortgage Investment Company, Chicago, moderator.

The third Conference session next morning will be opened with an address by George H. Dovenmuehle, chairman, Insurance Committee, president, Dovenmuehle, Inc., Chicago, on the writing of insurance by mortgage bankers.

The remainder of the program will be devoted to mortgage loan servicing, with W. James Metz, director of accounting and servicing as the moderator.

Tulsa Is First Stop MBA Clinic Schedule

Following the Midwestern Conference in Chicago, the MBA schedule heads into the Southwest and South for two clinics in March and April.

The first will be March 28-29 at Hotel Mayo, Tulsa, with Waldo J. Bashaw, vice chairman, Clinic Committee, vice president, Mager Mortgage Company, handling the arrangements.

The opening address will be by President Moir on "An Up To the Minute Exposure of the Mortgage Picture."

After discussions of the MBA educational program and trust fund, the Clinic will hear a discussion of the Voluntary Home Mortgage Credit Program with MBA Vice President Lindell Peterson moderating.

At the luncheon meeting that day, Samuel E. Neel, MBA General Counsel, will speak on the Washington picture.

The opening address at the afternoon session will be by a leading life insurance company official speaking on the supply of, and demand for, mortgage money in the immediate future.

The discussion will then turn to mortgage loan servicing—"the heart of your lending operation and how you can improve it." B. B. Bass, first vice president, American Mortgage and Investment Company, Oklahoma City, will serve as moderator.

Next morning at the third and final Clinic session, where Mr. Bashaw will preside, the meeting will turn to some basic essentials of the mortgage business, such as loan acquisitions, appraisals, closing problems, selling loans and warehousing. A panel group of about five will discuss them.

Birmingham Locale for Second Clinic

Following the Tulsa Clinic, the MBA program moves to Birmingham for a Clinic on March 31 and April

(Continued on next page)

They're Directing Local Meeting Plans

Howard Green

Milford A. Vieser

W. J. Bashaw

H. A. Drake

Stability of the Current Building Boom Theme of MBA-NYU Conference

The theme of the MBA-NYU 10th annual Conference for Executive Officers of Association member firms in New York January 25-27 will be an analysis of all factors in the stability of the current building boom. Among the speakers who will address the conference are Dean G. Rowland Collins of the school of commerce and business administration and members of the faculty, including Dr. Jules I. Bogen, Dr. Herbert B. Dorau, Dr. Donald F. Blankertz and Martin R. Gainsbrugh.

Other speakers will include Dr. George Conklin, The Guardian Life Insurance Company of America, New York, E. M. Spiegel, Dr. Gordon W. McKinley, Alexander Stott, Carton S. Stallard, vice president, Jersey Mortgage Company, Elizabeth, N. J., and Dr. John W. Harriman.

This annual event in the MBA schedule of activities will open with a dinner at Hotel Commodore, followed by two days of Conference sessions, with luncheon meetings each day. The latter are to be at the One Fifth Avenue Hotel.

This is the event of the MBA year which seeks to provide the senior officers of mortgage lending and investing institutions with an annual "economic retreat," where they can join a limited group to study the broad basic trends and developments within the economy which have a significance for their own every day operations.

Carey Winston, president of The Carey Winston Company, Washington, D. C., vice chairman of the Educational Committee, is supervising the NYU course.

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1. H. A. Drake, Jr., vice chairman of the Clinic Committee and assistant treasurer, Liberty National Life Insurance Company, Birmingham, is in charge of the meeting.

Again President Moir will open the session with an address on "Who's Playing the Lead in the Latest Mortgage Picture?", followed by some observations on the MBA educational program and trust fund.

The second event at the first session will be a panel discussion of VHMCP.

At the luncheon meeting that day, members will hear an address by Hugh Connor, chairman of the board, Avondale Mills, Birmingham.

At the second session that afternoon, with Mr. Drake presiding, the members will hear a discussion of the supply of, and demand for, mortgage money in the months ahead.

The program will then turn to mortgage loan servicing. It will be moderated by W. James Metz, director of accounting and servicing.

Next morning, for the third and final Birmingham session, members will go into a work shop panel discussion of acquisitions, appraisals, closing problems, selling, warehousing and similar problems.

The concluding feature will be a discussion of Washington events by General Counsel Samuel E. Neel.

New Members in MBA

ARKANSAS, *Osceola:* Seminole Mortgage Company, D. Fred Taylor, Jr., president.

CALIFORNIA, *Alameda:* Duggan Investment Company, Lowell H. Duggan, president; *San Francisco:* Lowell Associates, Inc. of California, John McDonough.

DELAWARE, *Wilmington:* Russell Mortgage Co., William V. Russell, president.

HAWAII, *Honolulu:* Bishop Trust Company, Limited, W. T. O'Heron, assistant treasurer.

INDIANA, *Hammond:* Great Lakes Mortgage Corporation, Robert H. Strawbridge, vice president.

LOUISIANA, *Shreveport:* Harry R. Nelson, attorney.

MICHIGAN, *Grand Rapids:* Citizens Mortgage Corporation, George K. Heartwell, vice president.

MINNESOTA, *Minneapolis:* Lutheran Brotherhood, H. A. Smith, treasurer.

MONTANA, *Helena:* Union Bank and Trust Company, C. E. McGuinness, vice president.

NEW YORK, *New York:* West Side Savings Bank, Edgar T. Hussey, vice president and secretary.

PUERTO RICO, *San Juan:* Government Development Bank for Puerto Rico, E. Rodriguez Collazo.

Kerwood and Beran Join Staff of MBA

Two new members have been added to the Chicago staff of MBA.

L. O. Kerwood, until recently assistant to the dean of the college of commerce and business administration at the University of Illinois, has been named director of education and research, succeeding Frank J. McCabe, Jr., who was recently named assistant secretary and treasurer.

L. O. Kerwood

Robert J. Beran

Robert J. Beran, engaged in various journalistic work, has been named assistant director of public relations.

Mr. Kerwood is a graduate of the University of Illinois and also received educational training at Illinois State Normal University and John Millikan University. He comes to the Association with a broad background of educational experience. His past educational career includes teaching in high schools, as field representative for a teachers service bureau and later, of course, with the University of Illinois. In his new position, he will direct the MBA Schools of Mortgage Banking at Northwestern and Stanford Universities, the Senior Executives Conference at NYU and the work of the MBA research and educational trust fund.

During World War II he was commanding officer of an armed guard unit.

Mr. Beran was recently editorial assistant on The Microphone, publication of Western Electric Company in Chicago. He is a graduate of the Medill School of Journalism at Northwestern University and took his master's degree at the same institution in 1951. He saw military service in the last war in Italy.

Among his duties with MBA will be that of associate editor of *The Mortgage Banker*.

Vern E. Bundridge has been elected president of the Union Title Company of Indianapolis succeeding the late Albert M. Bristor . . . **John Irvine** has been elected vice president of the Wallace Moir Company, Beverly Hills, California in charge of the firm's insured mortgage department specializing in FHA and VA loans. He has previously been associated with a life insurance company in Canada and mortgage banking firms in this country.

John Irvine

William L. Kamnit has been appointed supervisor of apartment house leasing and renegotiations for Investors Funding Corporation of New York. **Greenebaum Mortgage** Co., Chicago, announces the appointment of **Alvin G. Behnke** as secretary. He entered the employ of the Greenebaum firm under a veterans' training program upon his release from the marine corps in 1945.

William F. Bergmann, vice president and manager of the mortgage loan department of Arlington Realty Company, Arlington, Virginia, has been elected to membership in the American Institute of Real Estate Appraisers and awarded the MAI designation.

The firm name of **Franklin D. Richards and Associates, Inc.**, Washington, D. C., has been changed to **Richards, Alstrup and Redman, Inc.** and **Donald M. Alstrup** has been elected president. The firm has opened a Salt Lake City office in connection with its affiliate, Richards-Woodbury Mortgage Corporation. **Franklin D. Richards,** president of the latter company, will be associated with the Salt Lake City office.

A. W. Pipenhagen, assistant secretary of Harnischfeger Corporation, Milwaukee, has been elected vice president in charge of Builders Acceptance Company, Port Washington, Wisconsin. **Harold J. Funk,** vice president of Builders, continues his duties in the Harnischfeger subsidiary's interim financing operations.

Edward W. Vodden, vice president and manager of the Fillmore Office of The San Francisco Bank, has been promoted to a vice presidential administrative post at the bank's head office. He will be responsible for the bank's real estate lending operations.

Hugh J. FitzSimons, assistant vice president in charge of the closing department of Title Guarantee and Trust Company, New York, was feted at a dinner on the occasion of his 50th anniversary in the title insurance field.

>> PLUG: The Mortgage Banker must be getting better—better people are reading it. For instance, Jeffrey Ragland Cadwallader, 19 months, son of Mr. and Mrs. A. H. Cadwallader, III, grandson of Mr. and Mrs. A. H. Cadwallader, Jr., San Antonio, and certainly the magazine's youngest reader. Nice to know the coming generation is showing such good judgment so early.

William E. Shannon was elected president of the Mortgage Bankers Association of Metropolitan Washington. He is president of Shannon and Luchs Co.

Other officers elected are: vice president, Francis C. Little, senior vice president of the B. F. Saul Company; secretary, Richard B. Duckett, president of The W. P. Kelley, Company; treasurer, Martin R. West, Jr., of Weaver Bros., Inc.; counsel, H. Loy Anderson of the law firm of Fay and Anderson.

Elected to the board of governors are: Samuel E. Bogley, president, Bogley, Harting & Hight, Inc.; Roger W. Hatch, vice president, Walker & Dunlop, Inc.; W. W. McCollum, president of W. W. McCollum, Inc.; and Horace W. Talley, assistant vice president of the H. L. Rust Company. The officers of the Association will also serve as members of the Board as will George W. DeFranceaux, president of Frederick W. Berens, Inc., and outgoing president.

Irvin R. Schildein of Quinlan and Tyson Mortgage Corporation, has been nominated for president of the Chicago Mortgage Bankers Association to succeed Frederic Z. Gifford, president, Republic Realty Mortgage Corporation. John R. Womer, Great Lakes Mortgage Corporation, has been nominated for vice president and Martin O. McKevitt, The First National Bank of Chicago, has been nominated for secretary-treasurer.

Nominated for members of the board of directors are: Stephen G. Cohn, Greenebaum Mortgage Company; F. Jay Decker, F. Jay Decker Company, Peoria; Henry W. Kennedy, McKey & Poague, Inc.; Marvin A. Reynolds, Merchants National Bank in Chicago; Fletcher Seymour, Lake Michigan Mortgage Company; Stewart Van Berschot, Continental Assurance Company, and Robert H. Wilson, Percy Wilson Mortgage & Finance Corporation.

MBA President Wallace Moir will make the principal address at the Association's annual meeting January 20, where the election will occur.

Announcing MBA's New LIBRARY OF MORTGAGE FORMS

READY FOR USE BY MEMBERS WITHOUT CHARGE

MBA's Accounting and Servicing Department has completed its assembly of the only Library of Mortgage Forms available anywhere. Every form used in the mortgage lending and investing field is included and for each one there are from 25 to 100 different samples. If you are contemplating the preparation of any new form, the MBA Library can supply a wide range of similar forms used by other institutions.

How to use the Library: Below are listed more than 70 individual mortgage forms in the Library. Write for any number you wish and the complete folders for these forms will be sent to you for a two weeks' period without charge. After your inspection, you agree to return them to the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Ill. Examine the lists below and check the forms you would like to see and write the MBA Accounting and Servicing Department. This new Library makes it possible for you to keep up to date with any new developments in every mortgage form.

Amortization schedules
Annual statements to borrowers
Appraisal reports—commercial
Appraisal reports—residences
Appraisal reports—farms
Borrower applications (commercial)
Borrower applications (residential)
Borrower's construction loan forms
Borrower's financial statements
Borrower payment single receipts
Change in payment notices
Closing forms (borrower)
Credit investigation forms
Delinquent charge notices
Employment verification forms
FHA borrower forms
First letter to borrower
Hazard insurance letters and forms
Individual mortgage payment notices
Late payment notices (1st)
Late payment notices (2nd)
Loan processing check list
Loan file jackets
Miscellaneous borrower forms and letters
Mortgage assumption and transfer letters and forms
Mortgagor introductory booklets
Multiform payment and receipt forms
"NSF" check forms and letters
Passbook and coupon discontinuance letters
Payoff forms and records
Payment coupon books
Payment pass books
Preliminary foreclosure letters
Real Estate sales forms
Tax deficiency letters
VA borrower forms
Waiver of lien forms

Bank deposit forms
Cashier cards
Change in payment forms
Checking requisition forms
Collection and remittance reports (machine posted)
Collection and remittance reports (manually posted)
Combination tax and insurance records
Daily cashier and operations forms
Default and foreclosure forms
Delinquent account report forms
Delinquent loan record forms
Escrow account ledgers
Escrow account analysis forms
Escrow funds withdrawal slip
General and miscellaneous forms
Inspection forms
Insurance loss claims
Insurance record forms
Interoffice credit and debit memos
Investor audit forms
Investor commitment forms and letters
Journal sheets (machine posted)
Loan submission forms
Lost drafts procedure
Miscellaneous office memorandums
Monthly cashier and operations forms
Mortgages
Mortgage loan ledgers (manually posted)
Mortgage loan ledgers (machine posted)
Mortgage notes
Single debit control forms
Tax record forms
Warehousing forms

(Forms in the left column are those used directly in relations with the borrower; those in the right hand column are internal office forms.)